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26 August 1982

## CHINA REPORT ECONOMIC AFFAIRS

No. 259

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## NATION POLICY AND ISSUES

### 'JINGJI YANJIU' ON MACRO, MICROECONOMIC INTERACTION

HK180841 Beijing JINGJI YANJIU in Chinese No 7, 20 Jul 82 pp 21-26

[Article by Zeng Guoxiang [2582 0948 4382]: "Macroscopic Control and Regulation Over Microeconomic Reform"]

[Text] Basically the reform of our economic system started first with the microeconomy. This microeconomic reform which had as its principal landmark the expansion of the autonomous power of the basic economic units has served to enliven the economy, develop production and activate the enthusiasm of the localities and enterprises. During the period of the readjustment of the national economy, the material conditions for the overall reform of the economic system have not yet ripened and various kinds of preparatory measures are still in the process of planning and fermentation. Hence, generally speaking, the reform of the economic system during this period is only of a partial and exploratory nature. Doing a good job of the macroscopic control and regulation over microeconomic reform not only ensures that the reform of the economic system will take the correct direction toward healthy development but also promotes the further readjustment of the national economy. This will serve to lay the foundation for the stable and harmonious development of the national economy and the upgrading of the economic effect in an overall manner.

#### I

No unanimous opinion has been reached on whether or not we should strengthen the macroscopic control and regulation under microeconomic reform. Here, first of all, we face the question of how to correctly assess our past economic management was too centralized and too tight. To overcome the defects of "overcentralization" and "excessive rigidity," the reform at present should concentrate on expanding the decisionmaking power of the enterprises and fully displaying the role of regulation by market mechanism. They believe that in this way social production and social demand will achieve a balanced development. This viewpoint is well worth studying.

In our opinion, in certain of its aspects and particularly in the relations between the state and the enterprises, our past economic system did suffer from the defects of overcentralization and from an overwhelmingly tight control. But it must also be noted that for a certain period our economic management system did display signs of dispersion and confusion and that under special



historical conditions a highly centralized economic management system could perform the function of promoting economic recovery and economic readjustment. It is thus seen that regarding economic management, centralization or dispersion, control or decontrol, rigidity or laxity are all matters of relatively and are governed by different conditions, and that these various tactics and forms are not entirely antagonistic to each other. Besides, the nature of the economic system cannot be revealed by the tactics or forms of the economic management. Hence, we cannot employ the tactics of economic management to determine the form of different economic systems, still less can we judge the rationality of an economic management system on the basis of the tactic or form of management. After all, the economic management system and economic management tactics belong to two different economic spheres, although there is liaison between them. As a matter of fact, an economic management system built on a definite level of development of productive force and on the foundation of a definite socio-economic structure is an organic whole embodying an economic policymaking system, an economic operational system and an economic supervisory system all of which work in unison with each other and have functional relations with each other. The defects in our past economic system were mainly due to the weakness and imperfectness of our economic policymaking system and our operational and supervisory systems. This will have to be gradually rectified in the course of the reform of the economic system. The expansion of the decisionmaking power of the basic-level economic units and allowing the market mechanism to fully display its function of regulating social production and social demand are undoubtedly both necessary measures. However, if the entire economic system is an unhealthy one, then mere reliance on expanding the decisionmaking power of the economic units and utilizing the method of regulation by market mechanism can neither ensure the scientific character and the dignity of macroscopic policymaking nor ensure the automatic regulation of the major proportionate relations of the national economy. A socialist economy may be likened to an enormous machine in which the entire economic operational process is complex and intricate and the parts of the process are mutually related and mutually regulated. We cannot afford to circle around the philosophical concepts of centralization and dispersion, control and decontrol, rigidity and laxity. We cannot, on the one hand, emphasize that the economy must be enlivened and, on the other hand, refute the need of instituting macroscopic control.

We emphasize macroscopic control and regulation over microeconomic reform because we must start from the very fundamentals in the reform of the economic system of our country, as seen principally from the following: the need to readjust the irrational and long-standing economic structure; the need to rectify the extremely weak basic-level work of the hundreds of thousands of industrial and communications enterprises; continued fiscal deficits and the national economy still not yet in a benignant cycle; the need to replenish, improve and strengthen the economic auditing and supervisory organs; the state of near blankness in economic legislation and the judiciary; and the extreme shortage of a large contingent of economic management cadres who are well versed in theory and in practice. In the event of microeconomic reform being devoid of a system of unified and rational control, regulation and supervision, and if the various localities and even the enterprises themselves each institute a system of their own, then this will not only generate an enormous waste and extravagance of materialized labor and living labor but will also intensify and

widen the imbalance in the major proportionate relations of the national economy and aggravate its difficulties.

## II

After 3 years of actual practice, in comparison with the past economic system, our microeconomic reform which has as its principal landmark the expansion of the decision making power of the economic units at the basic level has noticeably influenced practical economic life in the following aspects: the downward thrust and expansion of the economic policymaking power; diversified management forms and the market mechanism engaging in the economic operational process; a great increase in the influence of the factor of material interests on economic activities; and so on. Such evolution of the economic system of our country objectively requires that macroscopic control and regulation be reinforced.

The Marxist theory of reproduction tells us that between the two major categories of production of material goods, between the various departments of the national economy, and between the various links of social reproduction, a close relationship joins them together and keeps them reciprocally regulated. The entire procedure of social reproduction has its inherent characteristics of unity and integration. The entire economic operational procedure represents a cyclical and reciprocating flow of operations and is not a mere conglomeration of the production and operational activities of individual economic units. Generally speaking, on account of the limitation and influence of diversified factors, which include the technological level, the management level and the guiding thought over production and operation, the production and operational activities of individual enterprises frequently suffer from limitations and one-sidedness. Very frequently, there were conditions like the following: A certain economic policy appeared to be very rational when viewed from the standpoint of a locality or an enterprise but irrational when looked at from the viewpoint of the national economy as a whole. Or, an economic policy would appear rational at a particular time but irrational in the long term, and so on. So-called rationality or irrationality is determined by the criterion which is based on the high or low macroeconomic effect in production and operation. Following the expansion of the decisionmaking power of the economic units, the enterprises have the power to make a definite production plan, to use their own funds and to market their own products. All this is very necessary. Nevertheless, the enterprises must exercise such power and rights in accordance with the state plan or under the guidance of the state plan. If the localities and enterprises care for their own interests, do what they want, and care little for, or even ignore, the state plan, then a state of spontaneity and blindness is generated in their production and operational activities. Departmentalism and decentralism may even result and a new state of demarcation of the localities and departmental blockade may arise. This will make it difficult to regulate the relationship between the state and the economic units or between the economic units themselves. Likewise, it will be difficult to regulate the proportionate relations of the national economy. Over the last few years, in readjusting the proportionate relations between accumulation and consumption, the state has devoted much effort to reducing the scale of capital construction investment under the plan and has achieved considerable success in this respect. However, a certain number of localities and units have still improperly used

the authority that has been granted to them to turn to the production of certain expensive and profitable commodities. Some localities and enterprises, in spite of their already surplus production capacity, have still indulged in more new construction projects with the result that capital construction investment not originally contemplated under the plan became increasingly large in scope. If a situation of this kind is allowed to develop, then there is the danger of losing control of the entire scope of capital construction. In order to keep the scale of capital construction investment under control, all funds for capital construction, be they inside or outside the budget, should be incorporated into the capital construction plan. In the case of enterprises using their own funds for capital construction, the projects should first be screened and approved by a "triumvirate," namely, the planning sector, the banking sector and the department in charge. To prevent locality demarcation or blockade, all up-to-standard commodities that have been produced strictly according to the specifications of the state and all products turned out under the fixed quota of the state plan, except for those with special transfer assignments, should be marketable within the whole country. The enterprises have the right to purchase them at their own discretion and should not be interfered with by the party or political organs of the localities. We should follow economically rational principles to promote the reorganization, merging and specialized cooperation of the economic units. In foreign trade, we must be united and join our forces. We must resolutely oppose diversified policies or counteracting each other's efforts.

Mere dependence on market mechanism, in the hope that by means of some invisible magical power, socialist production, distribution, exchange and consumption can be automatically regulated, is not only impossible but also extremely dangerous. As Marx pointed out: "Only when production is under the real and predetermined control of the community can the community establish a liaison between the volume of social labor time devoted to the production of a certain commodity and the quantity of that commodity required to meet the community's needs." (Marx: "Das Kapital," People's Publishing House, 1975 edition, vol 3, p 209) A socialist economy is a planned economy which is built on the foundation of the system of public ownership of the means of production and embodies the aspects of the production and exchange of commodities. Under socialist conditions, the state should conscientiously make use of the law of value and resort to such forms as pricing and profits as tools for the formulation of plans, and, at the same time, should bring into full play the supplementary role of regulation by market mechanism. But the principal avenue to regulate the proportionate distribution of social labor between the departments, industries and products is not found in the market prices but, rather, in the state plan. In the regulation of the proportionate distribution of social labor, market prices play only subsidiary role to supplement the state plan. It is incorrect to negate the function of market mechanism in regulating commodity production and commodity exchange as this would be harmful to economic development. But it would be even more harmful if we were to one-sidedly stress the role of market mechanism and place it on top of the state plan or even to negate the role of the state plan in controlling and regulating economic operations. This is because to rely solely on the market mechanism cannot ensure the rational distribution of social labor between the departments, industries and products. On the part of

the individual enterprises, they are unable to correctly assess what kind of commodities are needed by the community or the gross demand for commodities. It is also difficult for them to correctly assess the capacity of other enterprises to produce the kind of commodities required and the possible volume of their production. In a given period, the increased demand for a certain product may stimulate many enterprises to devote great efforts to the production of this product, with the result that the gross supply of this production of this product, with the result that the gross supply of this product may exceed the gross demand. This implies that a certain portion of the social labor power has been wasted. This waste inevitably reduces the volume of labor power available for distribution to the production of other products needed by society. As a result, the supply of these other products will be reduced. Conversely, in a given period, the decreased demand for a certain product may deter the production of this product by many enterprises and as a result the gross supply volume of this product will become smaller than the gross demand. Both of the above-mentioned circumstances may intensify the contradiction between supply and demand in the market. This, in turn, will produce adverse effects on production and certain enterprises will be unable to operate at full capacity or even to maintain simple reproduction. If it frequently happens that many enterprises blindly expand production or suddenly decrease production, confusion will reign in the entire economic life. In view of the large size of our country, our enormous population, and our limited material resources and financial power at the present level of productive force, in order to distribute on a fixed ratio the limited funds and material resources and to ensure the balanced and steady development of social reproduction, we must bring regulation by market mechanism into full play to perform its subsidiary role under the guidance of the state plan. At the same time, macroscopic control and regulation must be reinforced.

In the reform of the economic system, it is absolutely necessary to properly demarcate the economic interests of the central government and the localities and of the state and enterprises, and also to suitably readjust the economic benefits and economic power given to the localities and the enterprises. It should also be pointed out that under socialist conditions, the distribution and realization of the interests of the state, the locality, the enterprise and the individual are governed by the plan. At the same time, it must be stressed that partial interests must be subordinated to the interests of the whole and that immediate interests must be governed by long-term interests. Basically speaking, the interests of the state, the locality, the enterprise and the individual are identical and unanimous, since devoid of the interests of the whole, the basic interests of the collective or of the individual cannot be realized. Partial interests should in no way be placed above the interests of the whole. Our country is a unified socialist republic. The localities must be obedient to the central government and should not govern themselves independently. On the part of the basic-level economic units existing on the foundation of the system of the public ownership of the means of production, be they state-operated or run by the collectives, they possess a relatively independent character in that they can independently and concretely organize the production and exchange of commodities. However, in comparing socialist enterprises with capitalist enterprises, it may be found that in addition to the form of ownership has caused fundamental changes in the entire form of production and



socialist enterprises do not possess the special feature enjoyed by entirely independent commodity producers under the system of private ownership of the means of production. In particular, in the case of state-operated enterprises, their means of production are owned by the whole people. Since the state and the people have assigned the means of production to a certain enterprise to manage, the enterprise first of all holds a certain economic responsibility to the state and the people and at the same time must accept the guidance, control and supervision of the state, between the state and the enterprises on the economic benefits must be rationally distributed by means of the handling of profits. Between the enterprise and the individual, the distribution to the individual of consumer goods may be effected through the use of money as a medium. Nevertheless, the relationship between the state and the enterprise is not one of commodity or money; nor is the relationship between the enterprise and the individual one of commodity or money. Concerning the form of distribution, the relations between the state, the collective and the individual are but the reflection of the interests of the whole and partial interests, despite the fact that between the three parties certain contradictions, though not necessarily of a conflicting character, do exist. In correctly handling the relations between the state, the collective and the individual, the interests of the state must be put in the first place. The funds assigned to the enterprises must be appropriate in amount and must be used rationally. In the last few years, the profits realized by the industrial enterprises have increased yearly but the amount of profits remitted to the state have decreased yearly. As for the percentage distribution of the profits, it may be said that the portion retained by the enterprises has increased year by year whereas the state's portion has decreased year by year. This shows that plentiful funds have been scattered among the localities and the enterprises. In order to ensure a balanced budget and the making of appropriate arrangements for the people's life and the key construction projects. In principle the enterprises should retain the power to spend funds on simple reproduction whereas the power to spend money on expanded reproduction, particularly expanded reproduction by extension, should be subjected to overall arrangements under the guidance of the state plan and in accordance with the production conditions and the needs of society. We should gradually reform the financial system, the credit and loans system and the taxation system. Since for the time being it is impossible to undertake an overall reform of the system of prices, enterprises under the system of collective ownership and individual industrial and commercial units in the urban areas should be subjected to the system of "independent accounting, collection of taxes by the state and responsibility for their own profits and losses." As for state-operated enterprises which make only small profits and those that habitually suffer losses due to policy conditions, the system of the percentage division of profits and responsibility for their own profits and losses may continue to be adopted. Concerning the other state-operated economic units, we should adopt the system of "independent accounting, collection of taxes by the state and a rational percentage division of the profits after tax." In such cases, the state should first collect an income tax of around 50 percent following which the remaining portion of the profits should be rationally distributed between the state, the enterprise and the staff and workers subject to such considerations as the actual operational results of the enterprise during the current year, its requirements for production development and the state of the national finance. The state should employ rational categories of

taxation and tax rates to regulate and adjust the differential in the income receipts of the enterprises. It should, by means of fiscal measures and through the banks, appropriately control and supervise the use of the funds retained by enterprises. In so doing, we can enhance the stability of the financial revenue of the state and provide the enterprises with the power to rationally distribute the profits after tax. This will help the enterprises improve their management and control and enhance the economic effect.

### III

In reinforcing macrocontrol and regulation over microeconomic reform, much work has yet to be done. In our opinion, at present we should grasp two decisive links, namely, the correct demarcation of the duties and power of central financial administration and local financial administration and a rational distribution of the net income of state-operated enterprises.

The former financial system of unified receipts and payments was disadvantageous to the promotion of the enthusiasm of the localities and the enterprises. In recent years, in order to ensure the proper completion of the financial tasks, the method of financial responsibility system has been enforced. This has performed the useful function of reducing the financial red figures and encouraging the localities to increase their income but to reduce their expenditures. However, while financial control must be carried out by cadres, the financial responsibility system at present has generated certain defects. It appears that while the revenue of the central and local authorities has been differentiated, the central government has been disbursing nearly the entire portion of major expenditure. In this way, central financial receipts are reduced but the payments are increased. Thus, relatively speaking, the national financial power has been dispersed. This is highly disadvantageous to economic development. Hence, we must further demarcate the spheres of financial receipts and payments of the central government and the localities. There should be a clear demarcation as to which are the receipts of the central government and which are the receipts of the local governments and which are the expenses of the central government and which are the expenses of the local governments. Whoever makes the requisition should likewise provide the funds. Furthermore, the control of funds, including foreign exchange holdings, should be reinforced so that the economic effect generated by funds may be enhanced.

The so-called net income of an enterprise refers to the net income of the enterprise including taxes and profits after deduction of the consumption or depreciation of the means of production and the basic remuneration of the staff and workers. At present, the remittance of profits and taxes to the state by state-operated enterprises constitute over 85 percent of the financial receipts. A rational distribution of the net income of state-operated enterprises is an important factor in achieving financial and economic stability.

Our microeconomic reform has been carried out under the conditions of the price system not having been basically reformed and the taxation system being in a very unhealthy state. The high or low level of profits of an enterprise is determined not only by the inner factors of the enterprise but also by exterior factors, among which may be mentioned the condition of the resources, the state

of transportation, the level of prices, and so on. Hence, the size of the profits earned by an enterprise does not necessarily reflect the management and operation level of the enterprise or the extent of the labor power it has contributed to the community. These are onesided views which, through failing to make a concrete analysis of the situation have reached the conclusion that the more profits an enterprise makes the greater should be its retention and the more should be given to the staff and workers. According to Marxism, the net income of an enterprise, after the deductions for the production development fund (supplementary portion for expanded production) and for the necessary reserve funds, should still be subjected to the following deductions: general management fees not related to production; insurance funds for the benefit of those who have lost their labor power; expenses for meeting common needs such as schooling, health protection, and so on. All these constitute the social responsibility which must be borne by each and every enterprise, including state-operated enterprises collective enterprises, various kinds of jointly-operated enterprises and a small number of private enterprises. Only after having made the above-mentioned deductions, "will it be possible to talk about the distribution of the means of consumption to the individual producers of a collective group" (Marx: "Critique of Gotha's Outline," "Selected Works of Marx and Engels," vol 3, p 10). The net income of an enterprise must first of all ensure the remittance of profits and taxes to the state. At present, some enterprises are evading tax payments, or detaining profits remittance to the state, or falsely accounting for their production costs, or generally hiding the profits earned. In so doing, they are violating financial and economic discipline and adversely affecting the financial revenue of the state. These kinds of situation should be determinedly rectified.

The retained funds of an enterprise generally include the following: Production development funds, reserve funds, staff welfare funds and funds for bonuses and awards. The retained funds should first of all be devoted to the development of production. At the same time, sufficient funds must be kept for contingency purposes. The funds must not all be distributed or "eaten up." Production development be expended on group welfare or on granting bonuses and awards to the staff and workers. The growth rate of bonuses should not exceed the labor productivity rate of the enterprises or the growth rate of realized profits. In 1980, the labor productivity rate of state-operated enterprises increased by 2 percent and the realized profits increased by 4 percent but bonus payments increased by 50 percent. Obviously, the growth rate of bonuses was too fast. Some enterprises have been poorly managed and for a long time have been operating at a loss, but they still grant bonuses at random. Therefore, bonus granting must be properly controlled. We must determinedly stop the phenomena of granting bonuses at random. If only we can properly keep under control the gross amount of salaries, wages and bonuses of the staff and workers and further reorganize and stabilize the state purchase prices of agricultural and sideline products, in the main we can keep under control the growth rate of consumption funds and, generally speaking, stability can be achieved in the means of consumption markets.

As for the portion of self-retained funds for production development of the enterprises, the state must reinforce its planned control and regulation over it. In the great majority of the industrial enterprises in our country, their equipment is antiquated and backward, their plant premises are simple and crude, no

renewal or restructuring work has been done for many years, and the products have shown no change or improvement for a prolonged period of time. Obviously, technical restructuring is what is needed by our industrial enterprises at the moment. The self-retained funds for production development of the enterprises should first of all be used on the renewal of equipment and the technical restructuring of the current fixed assets, principally on expanded reproduction by intension and not on new building projects.

#### IV

The principal tools employed in strengthening macrocontrol and regulation over microeconomic reform are the following: the state plan, economic levers, administrative intervention and legal statutes.

The state plan constitutes the principal tool in macrocontrol and regulation and plays the leading role in the economic regulating mechanism. Microeconomic reform and strengthening of planned control should be closely joined together. The planning system must be continuously improved. Economic forecasting should be augmented and the scientific character of the plan should be enhanced. As for the pivotal enterprises with a bearing on the national economy and the people's livelihood, the central department in charge should unify and balance the relationships between supply, production and marketing, and ensure the normal production activities of the enterprises. Big and important construction projects should be incorporated into the state plan. The state should fix the prices of the major means of production and means of consumption and unify and balance their supply and demand. If a balance can be achieved in the budget, in credits and loans, in the supply and demand of major material resources and foreign exchange earnings and spendings, then the chances are that microeconomic reform will not take too wayward a path and the problems arising in the course of the reform can be more easily solved. This requires that the plans of the enterprises must follow the state plan and, under the guidance of the state plan, organize production and operations according to the demands of the community. The enterprises not only should fulfill the profits plan but also should fulfill in an overall manner the plans for variety, production volume, and quality of the products, the cost of production and the labor productivity rate. They should comprehensively raise the economic effect.

The economic levers principally comprise the following: prices, profits, taxes, loans and so on. The state plan, the plans of the enterprises and the economic levers should be closely combined into an organic whole and form an internal mechanism for the economic operations. Whether or not the national economy can enter into a benignant cycle and whether or not microeconomic reform can progress smoothly are directly determined by the quality of the plans at various levels and how the plans combine together with the various economic levers. In order to bring into full play the control and regulatory function of economic levers in microeconomic reform, the following points should be noted: First, operation of a single economic lever must be established on a scientific basis. The price of a commodity not only should basically tally with its value but also should be subject to the influence of the market's supply and demand. The percentage retention of profits should follow the principle of ensuring, as a logical premise, a greater share to the state and at the same time a steady



increase for the enterprise and the individual employee or worker. In raising loans, we should, on the one hand, make full use first of the funds already on hand and, on the other hand, pay due regard to readjusting the economic structure so that production and construction can correspond with the objective needs of the social economy. Second, the various categories of economic levers should be mutually coordinated to form a whole, work together harmoniously, and replenish each other.

Administrative intervention and resorting to legal measures form the exterior mechanism in the macrocontrol and regulation over microeconomic reform. Generally, they come into use under conditions that the state plan and economic levers are losing effective control or are meeting with impediments or are being boycotted. Since the seizure of political power by the Proletariat, the major internal task of the government machinery has been to organize economic construction. Following production becoming dialy more socialized, it has become increasingly obvious that the state must exert correct administrative intervention and guidance over economic life. This is all the more so during the period of the reform of the economic system. As a result of the enterprises and localities possessing expanded autonomous power in production and operation and on account of their direct material interests, certain enterprises and localities have have frequently turned their attention to protecting the economic benefits of their own unit or locality. There have been instances in which certain products, though already affected by heavy stockpiling and clearly no longer needed by the community, were nevertheless produced in quantity by certain enterprises. The enterprises would even go so far as to negotiate huge loans from the banks in order to undertake new construction projects. If it happens that the state has lost its control and the economic levers have failed to keep the situation in check, then it is absolutely necessary to determinedly take administrative intervening measures and strengthen supervision and inspection.

Is it possible for the strengthening of the macrocontrol and regulation over microeconomic reform to "strangle" the economy? Certainly not. In talking about macrocontrol and regulation, we have no thoughts about the central government taking over all the national benefits of the localities and enterprises, or reducing the enterprises to the status of being subsidiary organs of the administrative organizations at various levels, or reviving the system of "eating from the same pot." On the contrary, we are strengthening macrocontrol and regulation concurrently with undertaking microeconomic reform precisely for the purposes of enlivening the economy in an even better way, further closely consolidating the relationship between social production and social demand, enhancing in an overall manner the economic effect, ensuring the smooth progress of social reproduction and ensuring the sustained and steady growth of the national economy. Only in this way can the reform of the economic system be controlled and not become "killing"; enlivened rather than thrown into confusion.

CSO: 4006/604

## NATIONAL POLICY AND ISSUES

### 'JINGJI YANJIU' ON INDIVIDUAL ECONOMY DEVELOPMENT

HK190608 Beijing JINGJI YANJIU in Chinese No 7, 20 Jul 82, pp 75-76

[Article by Mao Tianqi: "Objective Necessity and Function of Individual Economy in China at the Present Time"]

[Text] Marx said: "Any social formation will not die before the total productive forces which it can contain have been fully displayed; and the new relations of production in a more progressive nature will by no means emerge before the material conditions for its existence have ripened in the womb of the old society." ("Preface to 'The Critique of Political Economy,'" "Selected Works of Marx and Engels," Vol 2, p 83) Though this argument refers to the replacement of social formations, it can also be used for analyzing objective grounds for the existence of different economic components in the same social formation. That is, based on this argument and refers to the replacement of social formations, it can also be used for analyzing objective grounds for the existence of different economic components in the same social formation. That is, based on this argument and the development of productive forces, we can understand the objective necessity of the individual economy in China at the present stage.

The development level of China's present productive forces is still very low and greatly imbalanced. The technical level in some trades and departments has been fairly high. In these instances, mechanization of a high degree, automation and specialized cooperation have been realized in production. But the situation in other trades and departments are different--the low technical level there is reflected in manual operation prevalent in a wide sphere of work. Moreover, coordinated operation does not appear to be a necessity, for many products are made individually by laborers. Any economic component will exist when it is suitable to a certain condition in the productive forces. Due to the adoption of advanced production tools, advanced productive forces need a huge sum of funds and extensive cooperation. So they correspond to the existence of the state-owned economy and the collective economy, because production tools are simple and crude, underdeveloped productive forces do not need huge funds and extensive cooperation and thus are especially suitable to the individual economy.

Productive forces in the individual economy consist of three elements, that is, the means of production, labor subjects and laborers.

First, viewed from the means of production, production tools used in the individual economy are generally simple and crude. Working with these tools calls for no division of labor and no cooperation. At most, with the help of their families, laborers can turn out products or provide services to the society by their individual work. The extensive existence of trades using manual tools in China is a fact that will not be easy to change for a long time to come. Therefore, the individual economy will exist and develop for a long time as well.

Second, viewed from labor subjects, in social labor, a lot of labor has specific subjects and provides the society with some useful products; but some other labor just provides the consumers with services. For example, there are hawkers and peddlers as well as craftsmen. Service trades, such as the catering trade, run by individuals will appear more economical than those trades run by the state or by collectives. It should also be known that, along with the development of the national economy and the improvement of the people's standard of living, the effect of consumption on circulation and on production reflected by these special labor subjects will become more and more important. This is because only the individual economy can directly satisfy the various and changeable demands of the consumers with its unique flexibility in business and its adaptability to markets.

Third, concerning the laborers, one of the superior characteristics of the socialist system is full employment--every person can get a job. But for a long time in the past, due to leftist economic policies, the natural law of "proportionate distribution of social labor" was violated. When the state does not have enough funds to equip every laborer and the population grows beyond the appropriate ratio, the way out for employment will become more narrow or even blocked. In particular, when state-owned enterprises adopt more advanced equipment, the workers they can employ will relatively decrease. Then it is natural that laborers must look for jobs outside the public ownership system and engage themselves in work needed by the society. At present, the active development of the individual economy corresponds to the opening of employment channels.

Viewed from the above three components of productive forces, the individual economy actually occupies the fields which the state-owned economy and the collective economy do not contain or cannot include, but these fields are precisely what is needed by the society. Since the 3d plenary session of the 11th CPC Central Committee, the recovery and development of the individual economy has played an increasingly bigger role in the national economy. This is reflected mainly in the following aspects:

1. Making up the deficiency of the publicly-owned economy and satisfying social needs. The deficiency of the publicly-owned economy in the national economy construction and in the people's livelihood is fundamentally caused by leftist economic policies. According to these erroneous policies, unitary ownership system was enforced in the circulation field, and thus all businesses were monopolized by the state-owned shops while other shops were swallowed up and service networks shrunk. According to statistics, the number of retail and catering centers under the Ministry of Commerce was 1 million in 1957, or on the

average, every 1,000 people in urban areas have 10 centers. After the "great leap forward" from 1958-1962, the number of these centers was reduced to 390,000, or there were 3.4 centers for every 1,000 urban people, after the "cultural revolution," there were only 190,000 centers in 1978, or 1.6 centers for every 1,000 people. This caused a great inconvenience to the people. Since the individual economy has recovered and has developed the commerce, catering trade and other service trades, the situation has gradually improved. The individual economy, characterized by randomness, flexibility and a small scale in business, has been well received by the consumers.

2. Creating more job opportunities and promoting social production. At present, in order to develop social production and stabilize the social order, it is imperative to create more job opportunities and provide employment places to the people with the ability to work. The fact that a large number of people must wait to begin their jobs resulted from leftist economic policies. According to statistics, the number of people being assigned to some type of work was 9 million in 1979, 9 million in 1980 and 8 million in 1981. For a few more years, there will be several million people every year needing jobs. They can by no means all be arranged in state-owned enterprises to work as cadres or workers, as some narrow ideas for tackling the employment problem suggest. The individual economy has great potential for solving the employment problem and for creating more job opportunities. According to statistics, laborers engaged in the individual economy in China in 1956 numbered 1.7 million, which amounted to 3.3 percent of the total number of working people. In 1978, individual laborers only numbered 150,000, accounting for 0.16 percent of all working people. If the proportion of individual laborers now returns to the 1956 level, that means the total number of individual laborers could number as many as 3 million. Yet, by the end of 1981, there were only more than 1 million individual laborers throughout the country. On the other hand, each laborer in state-owned enterprises are equipped with fixed assets worth 10,000 yuan; and each laborer in collective enterprises are equipped with fixed assets worth 2,000 yuan; while each household engaged in the individual economy (taking the situation in Beijing as an example) only uses an average of 88 yuan as fixed funds. It can be seen that when the modernization drive urgently needs huge funds, but a large number of people are waiting for jobs, recovering and developing the individual economy will be a good method to solve this pressing employment problem.

3. Each displays his own strong points. This will stimulate the state-owned commercial units to improve their business style. Consumers will always choose to buy those goods with low prices and high quality and those services provided with a pleasant attitude. Under the old management system of unitary economy, the state-run commercial departments monopolized all business and thus gradually became tainted with the bad practice of a "bureaucratic business." Comrade Chen Yun criticized this state of affairs over 20 years ago, saying that the state-run commercial departments had shown their divorce from the masses in many ways and that they had become somewhat like monopolists. After the "cultural revolution," the monopolization by state-owned commercial departments has intensified rather than diminished. Now that individual economy has been reinstated and has displayed its flexibility and initiative in doing business. This will stimulate the state-owned commerce to shake off the practice of bureaucratic

business." (Of course, this needs the coordination with the reform of internal management system in the state-owned commerce.)

4. A large number of craftsmen can fully display their special skill, Their skill can also be passed on to their apprentices. This not only satisfies that customers' needs, but also guarantees that there is no shortage of successors to carry on these special crafts. This will benefit the development of our national culture and crafts.

The recovery and development of the individual economy is only at the initial stage. It can be assured that, as it develops further, it will play a larger and larger role in national economic construction and in the people's livelihood.

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## NATIONAL POLICY AND ISSUES

### RELATIONSHIP BETWEEN PLANNING, PRICING DISCUSSED

Chengdu SICHUAN RIBAO in Chinese 22 July 82 p 3

[Article by Nan Wuwen [0589 3670 2429]: "A Discussion of the Relationship Between Planning and Pricing"]

[Text] What is the relationship between planning and pricing? Comrade Mao Zedong clearly pointed out: "Planning is of primary importance; pricing is of secondary importance." This statement scientifically delineated the relationship between planning and pricing, and become an important guiding principle in China's economic work. Currently, linking together the objective realities in economic adjustment and reform, gaining a better understanding of the relationship between planning and pricing, and firmly and thoroughly implementing this important guiding principle, are all completely essential to the further establishment of our view of the state view of planning and our view of the overall situation. They are also essential to the maintenance of a proper balance between the interests of the state, the collective and the individual, and to the promotion of the planned, proportionate development of our national economy.

The statement "Planning is of primary importance; pricing is of secondary importance" first of all means upholding the socialist planned economy. At the same time, under the premise of upholding the guidance of the state plan, it also means using the law of value correctly, and giving free rein to the positive role of the law of value in serving the development of the national economy. This is a theoretical explanation of the relationship between the law of planned, proportionate development of the national economy and the law of value, and of the relationship between planning work and pricing work.

The intrinsic natures of the law of planned, proportionate development and the law of value reflect different production relations. The production relations reflected in the law of planned, proportionate development are socialist ones. In the development of the socialist economy, the primary tasks are establishing and maintaining proper ratios between state construction and people's livelihood, and seeking a balance between production and consumption. Lenin said: "A regularly, consciously maintained balance is, in fact, a planned one." ("The Collected Works of Lenin," vol 3, p 566.) This is really a concrete expression of the superiority of the socialist economic system.

All societies must continually engage in social reproduction. Objectively speaking, the smooth operation of social reproduction demands that the means of production and the labour force in agriculture, industry, the national

economy and other sectors be (divided according to specific proportions.) But the methods by which these divisions are realized vary among the different types of societies, and the results, too, are varied.

In capitalist society, private ownership of the means of production has brought forth contradictions between the organized nature of individual enterprises and the anarchic nature of (society's production as a whole). The proportionate relationships required by social reproduction can only be either spontaneously or forcefully realized through the blind adjustment of the law of value or via the destruction caused by periodic economic crises. In socialist society, because public ownership of the means of production has replaced private ownership of the means of production, and because the law of planned, proportionate development has replaced the laws of competition and anarchic production, the proportionate relationships required during the course of social reproduction need to be, and can be, established in a planned, conscious manner.

By now, the law of value has not become the spontaneous adjuster of the proportionate relationships in society's production as a whole that it is in capitalist society. The law of value can now be used spontaneously by society to serve the establishment and the realization of the national economic plan and proportions. Consequently, we cannot regard the law of value as the primary basis for establishing the economic plan and proportions and adjust the proportionate relationships between the various balances of the national economy exclusively according to the demands of the law of value. But neither can we set the law of value and the law of planned, proportionate development of the national economy in direct opposition to one another, and believe that in utilizing the law of planned, proportionate development we do not need to consider the role of the law of value.

Naturally, in a socialist state, the main foundations upon which the state plan is formulated are the basic socialist economic laws and the law of planned, proportionate development of the national economy. We should devote major efforts to developing production in order to fulfill the continuously rising material and cultural needs of the people. Our basic socialist economic laws require us to do so. But the balance between production and consumption must be achieved in accordance with the demands of the law of planned, proportionate development. However, under the conditions of commodity production and commodity exchange that still exist in our socialist state, the role of the law of value absolutely cannot be ignored. If we cannot correctly utilize pricing as an economic lever, it will be impossible to realize the planned, proportionate development of the national economy.

In accordance with the demands of the statement "Planning is of primary importance; pricing is of secondary importance," we must give an appropriate amount of free play to the role of pricing levers, primarily through formulating the proper planned prices and establishing the proper relative price relationships (between?) all products. Under general conditions, for the majority of products, planned prices must be based on value, and the principle of exchange at equal value, must be implemented, placing the production of goods from all sectors in positions of roughly equal advantage, and thereby facilitating the successful realization of the national economic plan and the above-mentioned proportions. If planned prices diverge too much from the true value of the good, or if the



degree of deviation between [the prices] goods is too great, the realization of the national economic plan and the proportions will be hindered.

For example, in 1979 and 1980 after the Third Plenum, we raised grain prices and successively raised the prices of cotton, leaf tobacco, oil-bearing crops, sugar crops, pigs and other agricultural sideline products. We did this in order to attain an appropriate ratio between grain production and diversified economic production, in accordance with the principle of "under no circumstances slacken grain production and vigorously develop a diversified economy." This played an active role in promoting the proper solution of the problems handed down to us from the past of prices of agricultural goods being set too low, and of the relative prices among agricultural sideline products being inappropriate. It also played an active role in promoting the achievement of a more well-coordinated development of the production of grain and other agricultural sideline products.

In sum, under the conditions that prevail in the socialist period in which commodity production and commodity exchange are still in existence, the relationship between planning and pricing is one of a unity of opposites. The main contradictory aspect of this unity lies in the planning. Planning must play a leading role, and prices must come under the restrictions of the plan. As far as the laws are concerned, the law of planned, proportionate development and the law of value are both economic laws, and each is objective in its own way. However, in actual planning work and economic work, they remain distinctively primary and secondary. Under general conditions, planning should come first, while pricing should "come rolling along" after the plan. The vertical adjustment of prices, as well as all economic activities, should above all take into consideration the whole national economic plan. Only in this manner can we give due consideration to the interests of the state, the collective and the individual, and promote the successful development of the whole national economy. Therefore, we must firmly and thoroughly implement the principle of "Planning is of primary importance; pricing is of secondary importance" in production, circulation and distribution and, under the guidance of the state plan, we must do our economic work well.

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## ECONOMIC PLANNING

### 'JINGJI YANJIU' ON PLANNING, MARKET MECHANISM

HK170741 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 7, 20 Jul 82, pp 8-13

[Article by Fang Sheng [2455 3932] of the Economics Department of the Chinese People's University: "Clarify the Three Mutual Relationships--an Understanding of the Principle of 'Taking Planned Economy as Primary and Regulation by Market Mechanism as Supplementary'"--slantlines denote boldface as published]

[Text] The correct understanding and handling of the relationships between the planned economy and regulation by market mechanism is a fundamental issue in the reform of our economic system. The "resolution on certain questions in the history of our party since the founding of the PRC" points out: "It is necessary to practice a planned economy on the basis of public ownership and at the same time give play to the supplementary, regulatory role of market mechanism. Efforts should also be devoted to develop socialist commodity production and exchange." When talking about the basic orientation of the reform of China's economic system in his "government work report" delivered at the fourth plenary session of the Fifth NPC, Comrade Zhao Ziyang said: "While upholding the socialist planned economy, the state should give scope to the supplementary role of regulation by market mechanism and fully take into account and utilize the law of value when working out state plans." Last spring festival, Comrade Chen Yun pointed out in his speech: "It is necessary to persist in taking the planned economy as primary and regulation by market mechanism as supplementary." Recently, he further emphasized that the national construction should all be subject to a unified plan. All these arguments, especially the principle of "taking the planned economy as primary and regulation by market mechanism as supplementary" summarized by Comrade Chen Yu, are our guidelines in carrying out the economic system reform. Thought the present expressions are somewhat different from the previous ones, rather than radically negating the previous expressions, they are more accurate and more perfect. More important, both the present and previous expressions are consistently based on the basic Marxist principles. The problem is how we should, by relying on the guidance of Marxism, correctly understand the principles put forth by the central authorities. Since we have not yet reached a unanimous understanding on this question, it is necessary to have further discussion. As I see it, there are three mutually related perspectives that we should clearly recognize.

# I

The first perspective is that the socialist economy is a planned economy based on the public ownership of the means of production. Important issues concerning the overall interests in the national economy, such as the major ratios in the national economy, the distribution of national income, the scale of capital construction, the growth rate of the economy and the degree of improvement of the people's living standard, should all be brought under the strict control of state plans. Other economic activities should also be brought into the scope of the state plans. Most of our comrades sincerely believe in the principle of the planned economy. Only a small number hold a negative attitude. They argue that, "at present, our country has not yet been provided with any material bases and conditions for practicing a centralized and unified planned economy." Here, the so-called "material bases" mainly refer to socialist mass production. The socialization of production has brought close economic ties between various branches in the national economy and within each of these branches. It objectively requires that the national economy as a whole should develop in a planned and proportionate way. Under the private ownership system of capitalism, however, it is impossible to meet this requirement in a planned way. In a socialist society, the establishment of public ownership of the means of production realizes the direct combination of laborers and the means of production, and thus all branches and enterprises coincide in their fundamental interests. This determines that it is not only necessary but also possible for the socialist national economy to develop in a planned and proportionate way. The question is whether socialized production, at the present stage, exists in China. It is better to find the answer from facts. As a matter of fact, as early as China had completed the rehabilitation of its economy and started to conduct its economic construction in a planned way, socialized production in China had reached a certain level. The first 5-year plan was worked out precisely for suiting this socialized production and achieved remarkable results. Now, the level of China's socialized production has been further raised. To correspond with this condition, our national economy must, under the guidance of correct principles of economic construction, be further developed in accordance with more perfect economic plans and social development plans.

The practice of the planned economy is a prominent manifestation of the superiority of the socialist system. However, giving full play to the superiority of the planned economy depends on many factors. For a long time in the past, because of the errors in our actual work caused by the "leftist" guidelines and the sabotage and disturbance by the Lin Biao and Jiang Qing counterrevolutionary cliques, the superiority of our planned economy could not be brought fully into play. The serious mistakes in the planning work even caused enormous losses to the national economy. Facing this situation, some comrades lost confidence in the planned economy. When searching for a way out for our economy, they neglected the fact that one of the features of China's socialist economy is the planned economy. One of the important reasons for this loss of confidence is a failure to distinguish the planned economy from planning work. The planned economy enables us to consciously keep a balance between social production and social demands, to rationally utilize all sorts of resources, to promote the coordinated development of productive forces and to

adopt and promote advanced technology methodically. That is why Lenin argued that socialism will not exist without a planned economy. Practice in China's economic construction has also proved this point. The successes we have achieved cannot be separated from the planned economy we have persisted in. Of course, the successes were not achieved without problems. Rather, we have undergone a torturous course and have made errors in our planning work. But this does not reflect the essence of the socialist planned economy but just a problem in the planning work. This can be straightened out through improving this work. At the same time, we should also see that the planned economy itself is undergoing a process of development from immaturity to maturity and from being imperfect to being relatively perfect. At the present stage, productive forces in China are still relatively backward, and the levels of public ownership and socialization of production are not high. Although we have had conditions for practicing a direct and across-the-board planned economy, the planned economy is still in an initial stage and there is still limitations in practicing the direct and all-round planned economy. Not seeing this point and replacing reality with their wishful thinking, some comrades are apt to be suspicious of the planned economy that we are now practicing.

To practice the planned economy, the whole country must have a unified plan and all localities, departments and enterprises should abide by this unified plan which represents the interests of the whole people. All of our economic activities must proceed from the overall interests of our 1 billion people. With overall consideration and all-round arrangement, the relationships between far-reaching interests and immediate interests and between the state, the collective and the individual should be correctly handled on the basis of the unified national economic state plan.

A planned economy is a feature of the socialist economy. At the same time, we should soberly realize that a planned economy is not the only feature nor the fundamental feature of the socialist economy. Today, as we are stressing the planned economy, some people, intentionally or unwittingly, hold that a planned economy is the fundamental feature of the socialist economy. That is not an appropriate view. A socialist planned economy is determined by the socialist public ownership system. Only the public ownership system can be considered as the fundamental feature of the socialist economy. That is why Marx and Engels, the instructors of the proletarian revolution, named their ideal as communism. The planned economy is an important expression of the public ownership system. The economic features of a society or different stages of a society can be viewed from different angles. Lenin distinguished, from the aspect of production, different economic features of the two development stages of capitalism. These are the stage of free competition and the following stage of monopoly. During the monopoly stage, monopoly rule is formed on the basis of highly concentrated production. It is from the aspect of distribution that Marx and Engels distinguished different features of the two development stages of communism. The initial stage is characterized by distribution according to work and the advanced stage is characterized by distribution according to needs. The economic features of socialism can also be viewed from

different angles. Viewed from the aspect of material interests, the coincidence of the interests of the state, the collective and the individual is also one of the important features of the socialist economy.

## II

Socialism can exist only when the planned economy is put into effect. This is an axiom of Marxism repeatedly proved by the practice of socialist construction. But, how should the planned economy be handled in a way that is conducive to socialist construction? Though various socialist countries have accumulated a lot of experience from their respective practice, this question has not yet been properly settled. It is still necessary to continue summing up experience and going forward by making exploration. Here, what has drawn the people's attention is the fact that, unlike the communist society, the planned economy in a socialist society works under the condition that commodity production and commodity exchange still exist. Therefore, in the process of carrying out socialist economic construction in a planned way, it is imperative to take a correct approach to commodity production and commodity exchange as well as to the law of value which is a basic law governing commodity production and the markets where commodity exchange is conducted. This is the second perspective we would like to discuss.

Commodity production is a kind of production directly aiming at exchange. As an economic form, commodity production has never developed into an independent social-economic form. It always attaches itself to a certain mode of production. Commodity production itself cannot indicate the essence of the social production, which exists in several different societies, cannot be regarded as a feature of the socialist economy. But I do not agree with the opinion which recognizes that commodity production only exists under the socialist system while it denies that socialist production is a kind of commodity production. It seems to the people who hold this opinion that regarding socialist production as commodity production is equal to taking commodity production as the essence of socialist production. In fact, "existing" and "being" here mean the same thing, because commodity production under the socialist system mainly exists in the socialist economy. In the past, we denied that the exchange between state-run enterprises is commodity exchange and denied that the means of production fall into the category of commodity, thus excluding the economy under the ownership by the whole people, which accounts for a large proportion and is of decisive significance, from the scope of commodity production. This leads to denying the fact that socialist production is a kind of commodity production. Now, since this viewpoint has been corrected and this theoretical forbidden zone has been breached, then we should, as a matter of course, realistically treat socialist production as commodity production. The economic form of commodity production has been adopted by capitalism and now, socialism also needs to adopt it. The success of the proletarian revolution has eliminated the capitalist private ownership of the means of production and has changed the nature of the social economy, but it did not abolish the commodity form of production. Therefore, denying the commodity form of socialist production, denying that socialist production is commodity production, is equal to casting off socialism.

Since the planned economy, rather than commodity production, can reflect the features of the socialist economy, it is not a proper approach to explain the features of the socialist economy by relating the planned economy with commodity production, which is a form of socialist production. In order to show the relationship between the planned economy and commodity production as well as reflect the features of the socialist economy, it is comparatively precise to call the socialist economy a planned economy based on public ownership, with commodity production and commodity exchange existing in it. Some comrades agree that socialist production is commodity production, but they deny that socialist production is planned commodity production, because they think that commodity production and planning are incompatible. As a matter of fact, in an individual enterprise, planned and organized commodity production can be carried out not only under socialism but even under capitalism. In the entire society, whether commodity production is developed blindly or in a planned way will depend on the predominant social-economic conditions. This cannot be determined by commodity production itself. Compared with capitalism, one of the important characteristics of the commodity production under the socialist system is its planned nature. When we mention "socialist commodity production" or "commodity production with a socialist nature," this "socialist nature" includes planning. Planning is an important aspect of the socialist nature. Commodity exchange is conducted between different owners or between commodity producers with different material interests. When handling production and marketing, enterprises cannot but take their immediate interests into consideration. This tends to contradict the state plans. So, we should have a clear understanding on this point when practicing the planned economy, and give guidance by adopting prompt measures. If necessary, administrative means can be used.

Since socialist production is commodity production, the law of value must be playing a role in it. How should we correctly understand the role of the law of value in the socialist economy? Through studying in practice for a long time and continuous exploration in theory, we finally came to understand that the law of value also plays a regulatory role under the socialist system. Here, regulation refers to regulating the distribution of social labor among various production branches.

The difference between socialism and capitalism in regulating commodity production by the law of value can be found from forms and results of regulation rather than the regulatory role itself. The regulatory role of the law of value is not isolated. It always functions simultaneously with other economic laws. It is just this point that reflects different natures of the regulatory role of the law of value in commodity production under different ownership systems. Under the condition of socialist commodity production, regulation of production by the law of value is determined by basic socialist economic law and is effected by being linked with the law of planned and proportionate development and through planned pricing (mainly) and other forms of pricing. It is obviously wrong to set the regulatory role of the law of value against the objective demands of socialist economic laws and to ignore the positive role of the law of value in socialist economic development. This misunderstanding in theory has badly harmed our economic work. But overlooking the contradiction between the two aspects and failing to adopt due measures to settle it

will also be wrong. This contradiction mainly exists in the relationships between the state, the enterprise and the individual. Some people think that the application of the law of value is only related to partial interests. For an enterprise, that would be right by and large. But for a nation as a whole, the conscious application of the law of value not only means taking the interests of enterprises and individual laborers into consideration, it also calls for taking the overall interests into consideration. But this point is apt to be neglected. In general, the law of value can play a certain role in the socialist economy. Here, "a certain" is, first, intended for making a comparison with capitalism--it implies that this role does not play an unlimited role; and second, it refers to the fact that this role is restricted by socialist economic laws. But this cannot be understood to mean that the law of value can only play a role in production outside the plans while it absolutely does not work in the production conducted according to mandatory plans. As I see it, the law of value may play a bigger or smaller role, but at no time will it fail to play a role.

The market is a place where commodity exchange is conducted. So, the market manifests a relationships between buying and selling. It falls into the category of commodity economy and is an inevitable expression of commodity economy. For a long time, because we did not realize that socialist production is commodity production and did not set store by the law of value, we also neglected the role of markets, or only recognized planned markets while denying free markets under the guidance of plans. The problem of the market is a complicated one. In practice, many new questions have come out and called for our further study. One of the important questions is how to understand regulation by market mechanism and the relationship between the planned economy and regulation by market mechanism.

### III

The third perspective is the principle of taking the planned economy as primary and regulation by market mechanism as supplementary. I think that this perspective is based on the first two. The first perspective--the socialist economy is a planned economy--shows that, under the socialist system, the national economy as a whole is developed in a planned and proportionate way and the state must consciously follow the demands of objective economic laws in working out unified plans and in exercising planned management of the national economy. Thus, that part of production in accordance with plans (including mandatory plans and instructional plans) is, of course, within the scope of the planned economy and forms the principal part of the planned economy. As for the portion regulated by market mechanism as a supplement, though being not included in the state plans and having a spontaneous nature, it still falls into the scope of the planned economy. This is because this portion of production must also be conducted within the limits allowed by state plans, rather than being utterly free from any control by plans. Even the economic activities of those enterprises exclusively run by foreign businessmen in the special economic zones, have to follow the relevant decrees, laws and other regulations of our nation; they cannot do whatever they like and operate like independent kingdoms. Understood in this way, the implication of the first perspective, which refers to the planned economy based on



public ownership, is somewhat different from that of the third perspective, which takes the planned economy as "primary." The former is directed at the national economy as a whole, that is, the entire socialist economy must develop in a planned and proportionate way. This is a general notion. The latter refers to planned production being the main body in industrial and agricultural production, or just as the saying goes, "the bulk of industrial and agricultural production throughout the country is handled in accordance with the plans." This is to be compared with that portion of free production (which is regulated by the market mechanism that plays a supplementary role). But, whether something functions as a "primary factor" or as a "supplementary factor," it will always fall into the general scope of the planned economy.

The second perspective refers to the fact that commodity production still exists under the socialist system, the law of value still plays a role and there are still markets. Thus, when the planned economy is being put into practice, it is necessary to energetically develop commodity production and consciously make use of the regulatory role of the law of value. The regulatory role of the law of value can be effected only through markets. So, regulation by the law of value, is in general, reflected in regulation by market mechanism. Consciously utilizing the regulatory role of the law of value means consciously utilizing the regulatory role of market mechanism. Understood in this way, not only is the portion of production outside the plans subject to regulation by the law of value, but the planned production is also subject to it. The difference is that the former is regulated spontaneously by the law of value or market mechanism while the latter can be regulated through planned pricing and other economic levers--that is, the conscious utilization of the regulatory role of the law of value or market mechanism we often talk about. Regulation by market mechanism of this kind differs from regulation by market mechanism which plays a supplementary role. The former has a planned nature while the latter has a spontaneous nature.

Some comrades do not agree with this way of dividing regulation by market mechanism in the socialist economy into one with a planned nature and one with a spontaneous nature. As they see it, regulation by market mechanism can only be manifested in spontaneous regulation by the law of value. They consider that the planned nature of regulation by market mechanism or planned regulation by market mechanism is a planned economy matter, not any sort of regulation by market mechanism. This is a question which needs further discussion.

What is regulation by market mechanism? Under the condition of commodity production, products, as commodities, can show their value and use value only through purchase and sale on markets. Therefore, the production and marketing of commodities will inevitably be influenced by the relationships between supply and demand and by market prices which reflect this relationship. As the law of value, market mechanism does not function independently. It is subordinate to basic economic laws which play a predominant role. As the basic law governing commodity production, the law of value is a principal law among those laws relating to commodity production. It cannot be considered as the basic law governing the entire social economy. Thus, under different socioeconomic conditions, the nature of regulation by market mechanism is different. Even under the same social system, due to different objective conditions, it will play different roles. In general, regulation by market mechanism

needs the following conditions: 1) Enterprises having decisionmaking power; 2) business results of enterprises must be linked with their material interests; 3) prices can be changed and 4) competition existing. Capitalist commodity production is completely subject to spontaneous regulation by market mechanism, thus resulting in anarchy in social production as a whole. Even if capitalist states come out to "interfere" and draw up some "plans", the spontaneity of regulation by market mechanism is still unchangeable.

Under the condition of socialist commodity production, regulation by market mechanism objectively exists. For a long time, however, we did not recognize that socialist production is commodity production and did not give any decision-making power to enterprises. Profits and losses of the enterprises were all retained or met by the state. Prices were unifiedly fixed by the state and were frozen for a long time. Competition between enterprises was prohibited. Under these circumstances, of course, regulation by market mechanism was out of the question. Practice has shown that this is unfavorable to the development of the socialist economy. Now, the state of affairs has been changed. Enterprises have been provided with certain decisionmaking power in their business and management. Measures have been adopted to link enterprises' business results with the material interests of the enterprises and the workers. Prices are allowed to float within a specified scope. Necessary adjustment has been made to those irrational prices that greatly varied from values. Enterprises are allowed to engage in competition with each other within a specified scope. Thus, regulation by market mechanism can now exist legally and play its due role in the national economy.

Some comrades think that, without "free production," "free trading" and "free fluctuation" of prices, regulation by market mechanism is impossible. This argument is not without reason. In our political life, we always divide "freedom" into "bourgeois freedom" and "proletarian freedom." In the economic life, things are similar. As we said above, if our economic work is absolutely unified and centralized by the state while enterprises do not enjoy any "freedom," as was the case previously, then no regulation by market mechanism can be effected. But, if enterprises are allowed to act "freely" without any limitation, production will not be socialist in nature but will be capitalist production. In fact, when capitalism develops to the stage of monopoly, production and marketing are no longer so free as before. Maybe we can say, "freedom" in our socialist commodity production is a freedom under the control of unified plans and is linked with plans. When we talk about enterprises' decisionmaking power, prices, competition and so on under the socialist system above, by preceding them with words such as "certain" or "specified," we mean that "freedom" in the socialist economy is limited but does exist. This "freedom" exists not only outside the plans but also inside the plans. Compared with regulation by market mechanism under the capitalist system, one of the important characteristics of regulation by market mechanism under the socialist system is its planned nature, or we can say it is planned regulation by market mechanism. Here, regulation by market mechanism is closely combined with regulation by market mechanism. At the present stage, regulation of this kind is imperative, but it can only function as a supplement to the plans. If "taking regulation by market mechanism as a supplement" is understood in this sense, this will not be set against "combining regulation



by planning with regulation by market mechanism," and will not bring up the question of expanding the scope of regulation by market mechanism (referring to that function as a supplement).

Looking at the nature of regulation by market mechanism under the socialist system, we can divide it into one with a planned nature and one with a spontaneous nature. Based on the degree to which it is restricted by plans, differences can still be found even in regulation by market mechanism of the same nature. For those products produced and marketed in accordance with instructional plans, the state specifies floating prices within a limited scope and strives to keep the balance between supply and demand by these prices. Obviously, this is a kind of regulation by market mechanism which is combined with plans. The problem is whether the portion of production and marketing in accordance with mandatory plans is subject to regulation by market mechanism. Under mandatory plans, prices are unifiedly fixed by the state and enterprises must guarantee the fulfillment of these plans. But, so long as we recognize that production and marketing under mandatory plans is still commodity production and commodity exchange and allow enterprises to enjoy "freedom" within a certain scope as mentioned above, then, prices, sale and profits will be factors relative to the interests of the enterprises and the workers. Thus, the state must also fully take into account and apply the law of value and make necessary adjustment to those planned prices greatly varying from values by following the market conditions and the change of value, so as to guarantee the realization of the plans. It is right here that market mechanism display its roles. One of the examples can be found from the adjustment of prices for coal a few years ago, which finally led to a growth of coal production. Regulation of this kind is not the same as regulation in free production and free exchange outside the plans, nor the same as regulation in production and marketing in accordance with instructional plans. However, we cannot say that it is absolutely not an expression of regulation by market mechanism. Of course, regulation by market mechanism of this kind falls into the sphere of "the planned economy playing a major role." We need not indicate this point specifically in our policies, but this objectively exists in relation to commodity production. Without the planned economy, there would not be in //planned// regulation by market mechanism; on the other hand, without commodity production, neither would there be planned regulation by //market mechanism.// Whether or not to recognize the existence of planned regulation by market mechanism--this is not merely a dispute in theory, it is of significance in practice. If this is recognized, then we will be required to make earnest investigation and study, thoroughly find out the market trends, do a good job in market forecasting and really know the needs and supplies when handling planned production. We also have to lay down a correct pricing policy to promote the smooth fulfillment of the plans. One of our fatal weaknesses in the previous planning work was giving no consideration to social demands when arranging production and marketing. One of the causes was that we did not recognize regulation by market mechanism in theory and failed to learn how to correctly apply it in practice.

We should correctly understand the blind and spontaneous regulation by market mechanism under the capitalism system and the planned regulation by market mechanism under the socialist system. We should see their essential differences as well as their common forms. After the October Revolution, the circles of economists maintained that commodity production is only related to private ownership, especially capitalist private ownership; that the means of production exchanged between state-owned enterprises are not commodities and that the law of value does not play a regulatory role in socialist production. That is why they argued for casting off commodity production. Because these arguments, which once held a dominant position in theory, do not tally with reality, they have been discarded by most of our comrades. Now, some new questions have arisen and call for our earnest discussion. In recent years, in the discussion about commodity production and the law of value, some confusion, which could lead to weakening or even negating the planned economy, has arisen. We should pay serious attention to this. It is wrong to consider it as immaterial and to just consider it lightly. At the same time, it is more important to see that the orientation of this discussion and its main trend is correct and our achievements are the main aspect. This fruit was not easy to get. We should protect it and cherish it. We must not lightly give it up when finding the emphasis changed. The reform of the economic structure is a profound movement and the theoretical exploration for this reform is a profound movement of emancipating the mind. In this process, all of us are studying and thinking, and it is quite natural that some confusion arises. Differing from the previous confusion over the guidelines, the present confusion is not difficult to overcome because the guidelines are correct. What we need is earnest help, well-meaning criticism and a calm discussion. That will contribute more to further discussion of the theoretical questions concerning economic structural reform.

CSO: 4006/602

## ECONOMIC MANAGEMENT

### IMPLEMENTATION OF ECONOMIC CONTRACT SYSTEM URGED

Beijing ZHONGGUO CAIMAO BAO in Chinese 6 Apr 82 p 3

[Article by Liu Xiaomou [0491 2556 3664] and Wang Qi [3769 1142]: "We Must Actively Create Conditions To Steadily Promote the Economic Contract System"]

[Text] The economic contract system passed by the Fourth Session of the Fifth NPC created favorable conditions for our learning to use economic laws and regulations to direct and manage economic work. In our country, implementing the economic contract system, making use of economic laws and regulations, safeguarding and improving socialist production relations and ensuring the implementation of a socialist planned economy are all brand new tasks. We must do our best to carry them out successfully.

In order to better develop the role of economic contracts and uphold the authority and gravity of the law on economic contracts, we must pay special attention to the following items of work when promoting the contract system.

First, there is the new job of actively propagandizing the law on economic contracts, increasing the understanding of the significance of pursuing the contract system and requiring that the contract system be carried out in accordance with the principles of the law on economic contracts. In particular there are some comrades who are not very accustomed to using economic laws and regulations to guide economic relations. They even believe that implementing the contract system will just be another aggravation. Because of this, it is necessary for us to earnestly study how to propagandize the law on economic contracts so that the people will understand the importance and urgency of implementing the law on economic contracts under the new economic conditions. We must improve their conception of the legal system. Only in this way can we strengthen our economic sense of responsibility, lay stress on contracts, keep our promises and make use of economic laws and regulations to uphold social and economic order. Then we can put the micro-economic activities within enterprises on the path of state macrocosmic planning and guarantee the planned and proportionate development of our socialist economy.

Second, there is the new work of contracts signed between enterprises and economic units according to the law and the work of fulfilling these

contracts. From now on, industry, agriculture, production and trade should all create conditions for actively organizing the signing of agreements, launching pilot projects and finding out how to make use of economic laws and regulations to manage economic experiences. We must use the experience of selected units to promote work in the entire area and carry on the work step by step in a planned way. While launching pilot projects, we must pay special attention to honorable principles of contracts and improve our efforts to honor agreements. We must lay a solid foundation for the future implementation of the economic contract system. Third, we must combine the current task of economic readjustment with demands for market supplies. We must concentrate on industrial and commercial production and distribution contracts and on contracts for agricultural and commercial purchases and sales. There are numerous kinds of economic contracts that cover a wide range. We should start from practical reality and focus on the key points in carrying out the contract system. We must follow the demands of Premier Zhao Ziyang presented in his government work report, and promote the contract system in urban areas and stress production and distribution contracts in light and textile industries. We must strive to promote the production of consumer products for daily use. This is in service of giving top priority to the development of consumer product industries and the further readjustment of heavy industries. This is the key point for current national economic work as well as for the job of carrying out the contract system. If industry and commerce sign and honor agreements according to the main provisions stipulated in the law on economic contracts, the role of contracts will be expanded in strengthening production and distribution plans, improving economic effectiveness and heading on a new path of economic construction.

In cities, the key point in carrying out the contract system is to focus on contracts for the purchasing and selling of supplementary foods such as vegetables, pork, eggs, etc. Comrade Chen Yun once said: "Pork and vegetables are the two primary nonstaple foods of the people of China." If these goods were to be sold out this "would be a major problem that would affect the relationship between the party and the masses." We must take it seriously and promote contracts for the purchasing and selling of nonstaple foods in the suburbs so that problems in the supply of nonstaple foods in cities such as vegetables, meat and egg products may be resolved in the near future.

In the countryside, based on current new conditions, commercial sectors and agricultural producers must sign agricultural and commercial contracts in accordance with grain purchase quotas and controlled procurement and distribution quotas for industrial crops. Furthermore, they must coordinate with construction contracts in agriculture and clarify the rights and duties of both sides so that state, collective and individual interests are all given consideration. At present, while concluding agricultural and commercial contracts, we should particularly encourage raising the proportion of signed agreements for famous brand special local products in various areas. This would have positive significance for developing the production of commodities and spurring on the further development of famous products in various areas. We should sum up our experiences involving previously effective combined contracts for procurement and selling and advance purchase contracts. We should also continue to carry them out.

Fourth, we must coordinate implementing the economic contract system with carrying out the system of economic responsibility in enterprises and improving management and administration. The system of economic responsibility is at the core of the economic contract system. At the heart of promoting the system of economic responsibility in enterprises is our ability to implement contracts according to the general rules and requirements of the contract. After the law on economic contracts was formally enacted, contracts were concluded according to the law which possessed legal binding force. All those who do not fulfill their duties in the contracts are held responsible for breaking the contract and have to compensate for the financial losses of the other party. In order to emphasize the gravity of economic responsibility, leaders in enterprises and legal entities involved in signing contracts should frequently conduct propaganda instruction so that enterprise staff and workers as well as commune members in the countryside will be clear about the rights and duties of concerned parties in economic contracts. In this way the law on economic contracts will win popular confidence and support and gradually become a conscientiously observed rule.

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## ECONOMIC MANAGEMENT

### BENEFITS OF ECONOMIC CONTRACT SYSTEM OUTLINED

Beijing JIANJU [ARCHITECTURE] in Chinese No 5, 30 May 82 pp 11-12

[Article by Bao Zong, [5508 1350]: "The Benefits Achieved by the Adoption of the Economic Contract System in Liaoning and Certain Problems That Await Solution"]

[Text] The construction and engineering industry in Liaoning Province adopted the economic contract responsibility system on a trial basis in Shenyang in 1979 and began to extend it to the entire province in 1980. Rapid progress has been made and remarkable results have been achieved in the past 2 years.

The amount in terms of construction work completed came to 665 million yuan in 1980, or 18.8 percent over the figure for 1979. The area of completed construction work came to 2.79 million square meters, or 3.7 percent over the figure for 1979. The production value for each member of the labor force came to 5,514 yuan, or 14.3 percent over the figure for 1979. The cost was reduced by 55.13 million yuan, which represents an improvement of 72.3 percent over the figure for 1979.

The target for 1981 was expected to be drastically reduced by as much as one-third. However, thanks to the efforts made by the various enterprises to increase production, reduce expenditure and reap higher profits from their operations, the amount of work completed came to 637 million yuan, the area of completed construction work came to 2.58 million square meters, the production value of each member of the labor force came to 5,034 yuan, and the cost was reduced by 59,185,000 yuan. These results could not have been achieved if the economic contract responsibility system had not been enforced in a vigorous manner. From what has been achieved by the adoption of the economic contract system, the following conclusions may be drawn:

First, the quality of engineering work has been greatly improved, especially in the latter half of 1981. During that year, 71 of the 112 common defects in quality listed by the Provincial Bureau of Construction and Engineering were basically eliminated. The rate of high quality work came to 69.9 percent. The number of flawless pieces of engineering work covering 970,000 square meters came to 398, to 37.6 percent of the total. Every one of the 10 dwellings constructed by the province in Liaohua was rated as flawless, and the prestige of the Provincial Bureau of Construction and Engineering was greatly enhanced in the eyes of society.

Second, the rate of progress of construction work was speeded up, the construction period was further reduced and "reckless" engineering work was basically eliminated. According to statistics covering the 346 pieces of flawless engineering work undertaken in the province, the period of construction of a piece of engineering work in comparison with work of similar dimensions in the past was reduced by 10.8 days. In 1981, 25 key projects of large and medium size were completed, and 49 buildings used by colleges and vocational schools to accommodate new students were rushed into completion and put to use according to or ahead of schedule.

Third, the cost of construction has been reduced. The cost of construction under the contract system is lower than that not under the system. The cost of construction work completed in 1981 was lower than that in 1980. The engineering work completed under the contract system during 1981 came to 2.51 million square meters. The average per unit reduction in cost came to 4.58 yuan, reducing the cost to the government of 11.5 yuan.

Fourth, the accounting system has been strengthened by all the enterprises. Except for a slight overrun in labor cost due to the idling of some workers, all the expenses which made up the cost of construction showed a decrease. During 1980, the Construction and Engineering Bureau of the province chalked up a surplus of 61.31 million yuan (through reduction of the cost of engineering work and profits made by the processing enterprises, but not including the profit of 13.59 million yuan prescribed by law), and paid into the national treasury the amount of 5.8 million yuan, or 9.4 percent of the total amount of profits. In 1981, the bureau chalked up a surplus of 58,194,000 yuan (not including the profit of 14.35 million yuan prescribed by law) and paid into the national treasury the amount of 10.25 million yuan, or 17.6 percent of the total amount of profits.

Fifth, the production method of the enterprises was improved and the living conditions and welfare of the staff members and workers were upgraded. During the 2-year period between 1980 and 1981, the amount of 80.67 million yuan was spent for the above purposes.

From the above, the conclusion may be drawn that the adoption of the economic contract responsibility system by the construction and engineering industry in Liaoning is responsible for fully motivating the positive attitude of its staff members and workers, increasing the overall economic benefits, and adding to the nation's income in a stable manner. When the enterprises have their own means to develop production and to improve the collective welfare of their staff members and workers, each and every staff worker stands to benefit individually. Since the system is capable of creating a balance between small-scale and large-scale economic benefits, it should continue to be adopted without hesitation.

That the construction and engineering industry in Liaoning is able to put the economic contract responsibility system into actual practice and to achieve the above-mentioned results must be attributed to the staunch support given by the concerned departments of the provincial government in the prompt solution of various problems. Certain problems affecting the



forward progress and development of effective methods of operational management which meet the special needs of the construction industry remain to be studied and resolved.

#### 1. Ratio for Allocation of Profits Must Be Based on Actual Conditions of Construction Enterprises

The amount of profit paid to the government under contract by the state-operated construction enterprises in Liaoning is based on the level achieved in the past and the highest level achievable, and is agreed upon following a series of consultations among the parties concerned. For over 20 years prior to 1979, the aggregate amount of profits paid by the construction and installation enterprises to the national treasury had been smaller than that paid by the state to the enterprises in the form of investments and subsidies to cover losses. For this reason, it was decided that as from 1980, the annual contract would be made for 3 years. Later, however, because the provincial and municipal financial authorities had decided to apply the principle of "meals prepared on different stoves," it was decided that the amount of 5.80 million yuan, or 32.2 percent of the projected profit of 25 million yuan for 1980, should be paid to the national treasury. Actually, the amount to be paid into the national treasury is obviously too small. In order to bring about a reasonable balance in the benefits that go to the state, the enterprises and the staff members and workers, the amount of profit to be paid into the national treasury was raised to 10.25 million yuan. As to whether the amount should be adjusted upward in 1981, there were those who felt that there should be no departure from the decision that no changes should be made for 3 years, while others were of the opinion that any means would justify the end if it served to add to the income of the state. On this question, some comrades believe that: 1) since the decision not to change the amount of profit paid by the construction enterprises on a contract basis for 3 years was agreed upon by the provincial government and the departments concerned, and that it was in line with the stipulations stated in Document (80) Jian Fa Shi No. 185 jointly issued by the State Capital Construction Commission, the State Planning Commission, the Ministry of Finance, the State Labor Bureau and the State Supplies Bureau, there should be a stability and continuity in matters of policy and that frequent changes should not be made; 2) in view of the unreasonably high cost of construction materials and the fact that charges made by the construction enterprises for construction work were close to the actual cost, the construction enterprises were unable to make profits in commensuration with the average rate prevailing in society, and the value created by the staff members and workers in the construction enterprises in terms of productive labor had not been reflected in the income for the enterprises and the national treasury. That being the case, they felt that it would be unreasonable to expect the construction enterprises to make profit payments to the national treasury in the same ratio as that of the industrial and communication enterprises and that it would not be proper to use that ratio as a basis for assessing the degree of proficiency on the part of the construction enterprises in dealing with the economic relationship of the state, the enterprises and the staff members and workers; 3) the amount of profit to be paid into the national treasury on a contract basis during the past 2 years was predicated upon the assumption that the number of construction



projects would fall below the estimate and that the enterprises would have difficulty in increasing their income. However, it so happened that profits far exceeded the original estimate. From the objective point of view, the number of construction projects exceeded that originally anticipated. From the subjective point of view, the contract system unquestionably served to motivate the positive attitude of the enterprises and their staff members and workers. Everybody pitched in to explore all the potentials to the full, thus substantiating the effectiveness of the economic contract system; 4) an objective study should be made of the way the accumulated funds of the enterprises should be used. In the 2-year period between 1980 and 1981, out of the 103.34 million yuan accumulated by the enterprises, 37,161,000 yuan was used for purchasing production equipment and the improvement and construction of production bases, while 43.51 million yuan was used for the construction of housing for staff members and workers. The two items came to 80 percent of the total amount of accumulated funds. In the past, the amount represented by the two items used to be allocated by the state in the form of basic construction investments. Now that the accumulated funds of the enterprises can be used for basic constructions, they have in actual practice contributed to the additional income of the state. Furthermore, the enterprises purchased national treasury bonds to the amount of 16,907,000 yuan, thus adding to the income of the state. The enterprises would not have been able to do that if they did not have their own financial resources. The amount represented by the investments which used to be made by the state and the purchases of national treasury bonds came to 97 percent of the accumulated funds of the enterprises. It is the hope of the comrades in the construction and engineering industry in Liaoning that the general public would come to have an understanding of the circumstances and to respect their views. If the profits made by the construction enterprises remain stable, the amount paid to the state on a contract basis may be suitably raised to add to the income of the state.

From the practical point of view, the construction enterprises, in order to improve the livelihood of their staff members and workers or to make technical renovations, are in need of a certain amount of funds to repay their "debts." So that they may gradually come to acquire a reasonable degree of viability, it is necessary that they should be allowed to keep a larger amount of retained funds.

## 2. Reform of Material Supplies System Brooks No Delay

Under the existing material supplies system, the supply of materials has taken on the trappings of investments. There is a large gap between the amount of materials supplied by the construction units and that required by the building units. It frequently happens that the types and specifications of the materials fail to meet requirements, with the result that construction work is carried on in fits and starts over an extended period. Since the building enterprises do not have reserve materials to fall back on, the construction units have no recourse but to assign people to make purchases on their own. The resulting plethora of circuitous processes not only hampers the supply of materials according to plan, but results also in economic losses. It is estimated that while cement supplied directly to

the building enterprises costs between 55 and 66 yuan a ton, the price goes up to 103 if it is supplied by the supplies department to the building units through the construction units. Even if the building enterprises were to take delivery to cement directly from the production bureau, they would still have to pay a 3 percent service charge. The building enterprises also have to pay a 75 percent service charge for taking delivery of rolled steel from the warehouse of the supplies bureau. The practice of the supplies departments to supply materials in entire sets not only increases the price of materials, but also has a negative effect on the building process. The practice of supplying glass in uniform sizes by such cities as Jinzhou, Yingkou, Benxi and Dandong has increased the rate of damage from 7 percent to 21 percent and even up to 30 percent in certain cities. After taking delivery, the building enterprises have still to cut the glasses to size and to pay an additional 15 percent for extra labor. The wooden windows in such cities as Chaoyang and Jinzhou are also uniformly processed and supplied by the supplies units. The products are, as often as not, bent, warped or cracked. The quality is inferior and prices are high. Furthermore, the supply often fails to meet the demand, causing serious delays in construction work. This system of supplying materials and administration is at cross purposes with the economic contract responsibility system. Since it has the effect of reducing the construction enterprises to a state of impotency and is in violation of economic laws, it is a matter of urgency that it be overhauled.

### 3. Enterprises Must Be Accorded Greater Autonomous Powers

Although there has been some expansion of the autonomous powers of the enterprises in the past 2 years, it is our opinion, from what we know of the situation, that they should be accorded a higher degree of autonomy so that they may gradually be able to operate on their own and to assume responsibility for profits and losses. The enterprises should have autonomous powers in their production, operation and the use of their own funds and not be subjected to rigid control by the financial departments. So far as the labor system is concerned, the enterprises should have freedom of action to meet their special needs and functions and to select and hire permanent, contract and temporary laborers without undue interference from the labor departments. In the matter of wages and awards, the enterprises should also have the power to hand out rewards as they see fit. Following a discussion at a meeting by representatives of the staff members and workers, it was decided that part of the retained profits derived from the joint production and operations of the enterprises should be given in the form of bonuses in various amounts to the advanced staff members and workers and the entire body of the labor force.

The achievements made by the construction and engineering system in Liaoning have won favorable comment and support from the concerned comrades in the State Council and the concerned departments. The State Bureau of Construction and Engineering has also held a special seminar in Liaoning. Many batches of cadres have been organized by the construction and engineering bureaus from various provinces, municipalities and areas to attend the classes. The question of how to support and extend the economic contract system is something which has an important bearing on the entire industry. This system should be further established so that it may continue to be perfected and developed and that it may bring greater economic benefits to the construction industry and to society.

## ECONOMIC MANAGEMENT

### ECONOMIC FELONS IN FUJIAN SURRENDER TO AUTHORITIES

Fuzhou FUJIAN RIBAO in Chinese 5 Jun 82 p 1

[Text] The implementation and enforcement by our province of the "Decision to extend for a month the leniency period for economic criminals who surrender to the authorities" issued by the Standing Committee of the Fujian Provincial People's Congress have brought gratifying results. According to incomplete statistics supplied by the various political and judicial departments of the province, another 741 economic criminals surrendered themselves from 1 to 31 May (not including those who were questioned and who confessed after their arrest) in addition to almost 1,000 who had surrendered before the end of April in response to the "decision" of the Standing Committee of the National People's Congress. Stolen money amounting to 381,859 yuan and a quantity of stolen goods have been recovered.

Following the announcement of the "decision" of the Standing Committee of the Fujian Provincial People's Congress, those in positions of leadership in the party and the government at various levels as well as the political and judicial departments launched an extensive propaganda campaign among the vast number of cadres and the masses and engaged in ideological work for the criminal elements, their families, relatives and friends. Many counties and cities have called general meetings with a view to implementing the policy of "dealing leniently with those who confess and severely with those who adopt a defiant attitude." In response to the appeal of the party, the economic criminal elements in various areas have taken advantage of the promise of leniency by giving themselves up. The number of those who have given themselves up in Sanming District climbed from 49 at the end of April to 170. In Jinjiang District, the number of economic criminals who have given themselves up climbed from 39 to 163. Since 2 May, 10 accomplices of the smuggling clique under a gang leader by the name of Lin in Changle County have surrendered.

The public security and procuratory organs and the concerned departments, as well as expressing gratification over the voluntary surrender of the criminal elements, also pointed out that those who are truly repentant, those who desire to make a new start, and those who surrender themselves after 1 June will still be entitled to be dealt with leniently according to the stipulations of the relevant policies and laws provided that they cooperate in the solution of the crimes and return what has been stolen voluntarily, and that those who have yet to surrender will be severely dealt with unless they should decide to turn over a new leaf while there is still time.

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## FINANCE AND BANKING

### OVERSTOCKING OF MATERIALS PRESENTS PROBLEMS IN CAPITAL TURNOVER

Guangzhou GUANGZHOU RIBAO in Chinese 3 Jun 82 p 4

[Article by Zhou Rongfang [0719 2837 5364]: "Looking at the Circulating Capital Potential in View of Material Stockpiling"]

[Text] In his government work report to the Fourth Session of the Fifth NPC, Premier Zhao Ziyang pointed out: "The amount of circulating capital in the country far exceeds the amount that there should be. If we can speed up turnover and reduce encroachment by 2 to 3 percent then it would be possible to save 7 to 10 billion yuan in capital." Speeding up the turnover of circulating capital and reducing the encroachment of circulating capital are major avenues for solving the present lack of construction capital.

According to statistics of departments involved, at the end of June 1981, the gross value of the stock of electric and mechanical products throughout the nation was 60.3 billion yuan and the stock turnover period was 19 months. A fair portion of these stocked products had to be lowered in price or discarded because of their inferior quality. For example, the stock of steel materials throughout the country amounts to over 20 million tons (with a turnover period of 8 months). It is over 3 million tons more than the sum total of Great Britain, France, West Germany and Italy and double that of Japan. These overstocked materials encroach upon a large amount of circulating capital and we cannot develop their use value. Furthermore they encroach upon warehouses over a long period of time and much manpower and material and financial resources are spent on safeguarding and maintaining these stored materials. In 1981 Guangzhou had 167,000 tons of stored steel materials in state run enterprises under municipal control, an increase of 47,000 tons over 1979 (with a stock turnover rate of 7 months). Furthermore, over 80 percent are distributed in the warehouses of various enterprises and their management offices. Only about 20 percent of materials departments act as "circulating reservoirs." This is not at all normal. If we can reduce the stockpile of steel materials in enterprises to the 1979 level, the whole municipality would save 36 million yuan in circulating capital. If we do our work well and reduce the stock turnover period from the current 7 months down to 4 months, then we could save 55 million yuan in circulating capital. If we then put this capital into production construction we could get great economic benefits.

Why has the stockpile of steel materials in Guangzhou been increasing with every passing year rather than decreasing? The primary reason is the irrational distribution system of materials and goods. At present the distribution of materials and goods is controlled by the administrative system. For example, state enterprises under municipal control are supplied directly by the Central Ministry. Commerce and foreign trade provide materials for processing. Special project products are supplied directly by the province and the province controls distribution. The municipality handles the transfer of supplies. Enterprises have maintained the processing of imported materials and continue to cooperate and to seek help as well as maintaining eight other channels. Because supplies are decentralized, limited goods have been seriously dispersed. This has created overstocking, excessive encroachment upon circulating capital and a slowdown in capital turnover among enterprises. Moreover, materials from these channels are not totally suitable, complete or balanced so that enterprises have to frequently exchange and readjust them. Certain kinds of stockpiles are up to standard and can be used for several years while others have deteriorated because they've been kept too long in storage. In 1980 the municipal materials department purchased over 3,900 tons of stockpiled steel materials in various enterprises at a cost of over 3 million yuan, but the major portion is still stored in warehouses.

How can we accelerate the turnover of circulating capital in production and trading spheres and reduce the irrational stockpiling of materials and goods as well as the encroachment upon circulating capital?

First, we must reform the circulation system and reduce circulation links. We must abolish the supply structure which follows the administrative system. As for materials and goods allotted by state planning for the production needs of various enterprises, quantity, point of concentration and direct supply are determined by the materials department. These materials are all centrally supplied by the materials department. The advantages of being supplied by the materials department are: it facilitates implementing preferred selective purchases and selective supply as prescribed by the state. It also facilitates carrying out the policy of controlling supply, use and conservation. In this way the reserves of commodities for turnover in enterprises may decrease to a minimum, encroachment upon capital will lessen and the turnover of capital will accelerate, thereby enabling saved capital to be put into production to expedite the development of production.

Second, we must practice production according to need, restrict products that are in abundant supply and prevent new instances of overstocking from occurring. If enterprises do not produce according to state plans and create overstocking, when a lack of circulating capital occurs, the bank must not extend credit.

Third, we must earnestly make inventories of warehouse stocks. We must increase their utilization and renovate some of the overstocked items and discard those items that are worthless.

Fourth, we must improve economic accountability and emphasize checks on capital turnover in enterprises. We must integrate rectification of enterprises and once again check and approve the amount of encroachment upon circulating capital in enterprises and increase or decrease it wherever necessary. There must be an increase of bank interest for those who have exceeded the approved amount, and no credit must be extended to those who are seriously out of line.

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## INDUSTRY

### BRIEFS

XIZANG INDUSTRIAL OUTPUT--In the first quarter of this year, Xizang region fulfilled 24 percent of the quota for industrial production for 1982 and in the first half of this year, it fulfilled 48 percent of the quota for industrial production and 53 percent of the quota for communications for the year. The region's output of some of 35 main industrial products in the first half of this year was relatively more than in the first half of last year. The value of the region's output of nationality handicrafts in this period was some 7.7 million yuan, which was 55 percent of the quota for this year and 69 percent more than in the first half of last year. In the first half of the year the region fulfilled 36 percent of the quota for light industrial output value for the year and the light industrial output value in the period was 10 percent more than in the first half of last year. The region fulfilled 43 percent of the quota for electricity output in the first half of this year and this output was 4 percent more than in the corresponding period of last year. The region fulfilled 80 percent of its quota for raw coal for the year and its output of raw coal was 33 percent more than in the first half of last year. The region overfulfilled its quota for transporting materials into the region by some 200 tons, its quota for transporting materials out of the region by some 10,000 tons and its quota for transporting materials through the region by some 7,000 tons. [HK091421 Lhasa Xizang Regional Service in Mandarin 0000 GMT 3 Aug 82]

GUIYANG ECONOMIC CONSTRUCTION--Since the 3d plenary session of the 11th CCP Central Committee, Guiyang Municipality in Guizhou Province has speeded up economic construction. According to statistics, the total amount of investment in nonproductive projects in the municipality in 1981 was 47.81 percent more than in 1978. The amount of investment in housing in the previous 3 years was 180 million yuan, which exceeded the total amount of investment in housing from 1950 to 1978. The floor area of houses completed in the 3 years was 1.352 million square meters. The floor area of houses completed in the first half of this year was 90,500 square meters, which was 73 percent more than in the corresponding period of last year. The length of water pipes in the municipality increased from 102 kilometers in 1978 to 235 kilometers in 1981. The volume of daily water supply increased from 110,000 tons to 170,000 tons. The municipality has repaired four cinema theaters and built a new cinema theater. The number of public vehicles has increased by 100. The municipality has reconstructed or newly built 87 public lavatories and increased vehicles for cleaning the municipality by 51 cars. The municipality has planted 1.53 million



trees. The municipality has completed repairing the road surface of 33 of the 64 small streets and lanes which it has planned to repair this year. The expenditure on urban construction and the improvement of people's livelihood in the previous 3 years totaled some 263.8 million yuan, which amounted to one-third of the municipal revenue in these 3 years. [HK091420 Guiyang Guizhou Provincial Service in Mandarin 2315 GMT 3 Aug 82]

SHANGHAI INDUSTRIAL OUTPUT--Shanghai's industrial output in the first half of this year amounted to 31.7 billion yuan, or 7.4 percent more than in the same period of 1981; it accounted for 50.1 percent of the yearly plan. Output of 37 kinds of products, including sulfuric acid, internal combustion engines, oil products, meters and instruments, bicycles and television sets, increased by more than 10 percent. Their quality has also been improved. [Beijing Domestic Service in Mandarin 1200 GMT 3 Jul 82]

XIZANG INDUSTRY--Total value of January-June output in factories and mines subordinate to the Regional Industrial Department was 11.29 million yuan, representing 51 percent of the year's quota. This was 15 percent higher than in the same period last year. The department's coal mines produced 16,300 tons, compared with a planned 16,000 tons. Power generation was 11 percent higher than in the same period last year. The industrial system reduced losses by 1.8 million yuan from January to May compared with the same period last year. [HK220807 Lhasa Xizang Regional Service in Mandarin 0000 GMT 21 Jul 82]

CSO: 4006/602

## CONSTRUCTION

### MORE DIRECTION IN RURAL HOUSING CONSTRUCTION NEEDED

Fuzhou FUJIAN RIBAO in Chinese 11 Jun 82 p 1

[Article by Lin Rumei [2651 3067 2734] and Wu Shengya [0702 5116 7161]:  
"We Must Conscientiously Lead Rural Housing Construction"]

[Text] What is the best way to guide rural housing construction? Fuzhou Municipality suggested as guiding principles "active support, correct guidance, overall planning, scientific arrangements, rational distribution, land conservation, favorable production and a high standard of living."

Fuzhou Municipality recently convened the first symposium on rural housing construction. The symposium affirmed that in the last 2 or 3 years the improvement in the living conditions in peasant housing has been a reflection of the excellent economic situation of the countryside. It is a good turn of events. However, it is also necessary to note that due to the influence of bourgeois liberalization, to the miscalculations of leading departments at all levels regarding the swift and sudden development of rural housing construction and due to the inability of work to keep up, the lack of leadership and guidance and particularly to certain party cadres who set an example by taking advantage of their position to seize land to build housing, there has occurred the serious situation of wantonly seizing cultivated land. It has also lead to misuse of cultivated land, to the renting, transferral, buying and selling of land and to the wanton building of housing. This has destroyed irrigation, communications and running water pipes as well as state construction plans. Everyone believes that not only can we not oppose the peasants' rational demands for housing construction, but we should enthusiastically encourage and support them. We should carry out strict punishment in the spirit of related documents of the State Council and the province against those who illegally seize land to construct houses to rent, buy and sell and against those who indiscriminately build housing. If we do not do this we will then be unable to check the unhealthy tendency of seizing land to build housing.

In order to conserve the use of land and to plan land use, the symposium proposed rebuilding and adding to existing old houses and using the existing residential base as much as possible.

In suburban areas, housing is regulated to over three stories, in the outer suburbs and plains it is set at over two stories and in the remote mountain areas it is recommended that two story houses be built. For all housing constructed on cultivated land, the per capita land area must not exceed 12 square meters and the land area per household must not exceed 60 square meters. In overpopulated areas with little land with per capita cultivated land of less than 3 fen, we must implement the building of joint households, and the area per household must not exceed 50 square meters. In the outer suburbs where the hillside is used for housing construction, the per capita land restriction may be extended to 20 square meters and per household land area may be extended to 120 square meters.

The symposium concluded that at present to successfully carry out rural housing construction, it is necessary to first of all unify understanding, strengthen ideological instruction and do good work in propaganda. In this way everyone will understand the relevant policies, regulations and ordinances concerning rural housing construction so that they will cherish and protect cultivated land. Secondly, we must carry out thorough investigations and studies to formulate regulations on rural housing construction. We must pay attention to coordinating the rebuilding of old houses with the construction of new houses and to integrating relative centralization with proper decentralization. We must suit measures to local conditions and rebuild old towns. We must combine examining and approving housing construction with pursuing family planning. We must also coordinate housing construction with production construction. Problems concerning mountains, rivers, farmland, forests and roads should be tackled in a comprehensive way. It is necessary to consider present demands for housing construction as well as long-term development of production. We must pay special attention to the planned use and conservation of land as well as to coordinating rural housing construction with urban construction. We must construct housing in a planned way and in stages based on the actual conditions of financial and material resources, manpower, land and time. Third, we must set up organizations, assign personnel and strengthen organizational leadership. The municipal CCP committee and the municipal government decided to strengthen the leadership of urban and rural construction departments and increase the allocation of professional workers and specialists. The municipal office of construction set up a rural housing section. Three districts and counties assigned three, five and seven full-time cadres respectively to set up an office of construction designed to strengthen technical guidance. Every commune assigned two to three full-time cadres and every brigade had part-time cadres. The municipal CCP committee also decided that the city, district and county should all have a comrade in charge to arrange the agenda for regular studies and for faithfully carrying them out.

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## DOMESTIC TRADE

### VILLAGE FAIR TRADE ADMINISTRATION NEEDS STRENGTHENING

Guangzhou YANGCHENG WANBAO in Chinese 9 Jun 82 p 2

[Article by Li Junkun [2621 0193 0981]: "Strengthen Village Fair Trade Administration and Stabilize Market Prices"]

[Text] Since last year, price increases in Guangdong have been characterized by four special features: first, prices in village fair trade have been increasing at a faster rate than negotiated prices; second, prices in the rural market places and market towns (including those in the counties and communes) have been increasing at a faster rate than prices in the cities; third, prices of subsidiary agricultural products, especially subsidiary foodstuffs, have been increasing faster than industrial products; fourth, the purchasing and selling prices of subsidiary agricultural products have been mostly negotiated. It can be seen, therefore, that better control over commodity prices in village fair trade in the cities and villages is essential to the stabilization of market prices in our province. It is evident that in order to put a stop to runaway price increases in subsidiary agricultural products in our province, efforts should be made to develop production. At the present time, we must deal with the following problems in order to strengthen the administration of village fair trade and stabilize village fair trade prices:

#### 1. Implementation and Enforcement of Planned Purchasing and Assigned Purchasing Policy of Nation

Experience tells us that whether or not the government policy of planned purchasing and assigned purchasing is properly implemented and enforced determines to a large extent whether prices go up or remain stable. In recent years, many communes and production brigades as well as commune members, showing a lack of concern over the entire situation and failing to observe the government policy of planned purchasing and assigned purchasing, have been selling large quantities of subsidiary agricultural products in the market at negotiated and exorbitant prices, thus boosting commodity prices in village fair trade and adversely affecting the livelihood of the people and workers in the cities and town. This problem can only be solved by correcting the people's way of thinking. Since the Third Plenary Session of the 11th Party Central Committee, the government has adopted a series of positive measures to reduce the burden of the peasants and to

increase their income. These measures include raising the purchasing price of subsidiary agricultural products, resuming the practice of purchasing at negotiated prices and increasing negotiated prices, paying a subsidy for imported supplies needed by the peasants, and insuring that the peasants receive adequate compensation from the sale of the main agricultural products. The government has also opened up trading in agricultural products, expanded subsidiary household industries and frozen the prices of materials and industrial products needed by and supplied to the peasants according to plan. The adoption of these policies and measures has brought, and will continue to bring, substantial benefits to the peasants and enable them to improve their standard of living significantly. For this reason, the fulfillment and overfulfillment of the task of planned purchasing and assigned purchasing set by the government is the bounden duty of the large number of peasants and a basic requisite for consolidating and developing the alliance of workers and peasants. In the next few years, it is neither proper nor possible to continue to rely on the government to pay higher purchasing prices for subsidiary agricultural products as a means to increase the income of commune members. The large number of commune members in the villages must on no account scuttle the plan for planting decided on by the government and seek to increase their income by reducing the amount of subsidiary agricultural products to be sold according to the policy of planned purchasing and assigned purchasing. Instead, the proper and more effective way to increase their income is for the peasants to adopt advanced scientific agricultural techniques, to develop production, to increase and improve the quantity and quality of their products, and to overfulfill the quota for the sale of subsidiary agricultural products.

## 2. Strengthening Economic Leadership of State-Operated Commercial and Cooperative Enterprises in Village Fair Trade

Our socialist economy is predicated on a planned economy as a primary measure and market adjustments as a secondary measure. Village fair trade is a necessary adjunct to socialist planned marketing. However, commodity prices in village fair trade are largely determined by the supply and demand situation in the market and are subjected to the laws governing the value of commodities. Economic leadership is best exercised by state-operated commercial and cooperative enterprises in village fair trade through their own activities in the purchasing and selling of village fair trade commodities. For example, they may sell, but not buy, or not buy in large quantities, commodities in short supply in village fair trade; buy, but not sell, or not sell in large quantities, commodities whose supply exceeds demand; and refrain from buying and selling, or only buy and sell in small quantities, those commodities the supply of which is basically equal to the demand. There are four advantages to the adjustment of the supply and demand situation. First, it helps to stabilize commercial commodity prices in village fair trade and bring them closer to those in the planned market. Second, it promotes the normal production of commercial commodities in village fair trade and prevents wild fluctuations in commodity prices. Third, it insures the normal supply of commodities and reduces chances of producing commodities over or under the demand. Fourth, by using economic means, it deals a blow to the monopolization of the purchase and sale of commodities and to

speculation and unscrupulous practices. It goes without saying that the state-operated commercial and cooperative enterprises must establish their own processing and storage facilities before they can process and put in storage the commodities they have bought but are not allowed to sell until the proper time, when they are allowed to sell but not buy. This can be done without having to bring in equipment and methods from abroad, as the villages and market towns have the labor resources and the masses have the means to meet the needs of the situation. All that is necessary is to motivate the masses and to offer them some incentives. At the same time, it is also necessary to adjust business operations in the various areas where there is a shortage or a glut of certain commodities by purchasing commodities whose supply exceeds the demand and selling commodities whose demand exceeds the supply. The crux of the problem is the enforcement of the socialist policy of stabilizing commodity prices and insuring the livelihood of the people, of making it possible to earn legitimate profits from the buying and selling of commodities, of putting an end to the practice of exerting a great deal of effort when large profits can be made, of exerting little effort when little profit can be made, and exerting no effort when no profit can be made, and of dealing a blow to opportunism and profiteering and the practice of working for the purpose of earning bonuses without regard for the livelihood of the people.

### 3. Strengthening Administrative Control Over Village Fair Trade

Village fair trade plays a dual role. First, it is capable of promoting the production of subsidiary agricultural products, enlivening the rural economy and increasing the income of commune members. Second, when commodity prices are in flux, village fair trade tends to encourage people to engage in speculative and other corrupt practices through the buying and selling of commodities. For this reason, it is necessary for government organizations to exercise administrative control over village fair trade in order to give full play to its positive aspects and to put a damper on its negative aspects. First, a commune members in the rural areas should be permitted to sell only what they themselves produce and to buy what commodities they themselves need. They should not be permitted to abandon their farm chores to engage in business, to raise prices to enrich themselves, and to engage in speculation and unscrupulous practices. Second, small traders and peddlers should be registered and issued permits stipulating the scope and locale of their operations, the amount of taxes they must pay, and the profits they are allowed to make. Third, unlicensed traders and peddlers and business organizations must be banned. Those who are guilty of such illegal acts as cornering the market, hoarding and raising prices, selling counterfeit or adulterated products and shortchanging must be fined, have their goods confiscated or disciplined. Fourth, a stop must be put to the practice of conniving with state-operated and cooperative commercial enterprises to buy large stocks of commodities at sanctioned prices and to sell them at negotiated prices for the purpose of making high profits. Fifth, no organizations, groups or individuals should be permitted to go into the production areas in the countryside to buy up subsidiary agricultural products which fall under the government's unified purchasing and assigned purchasing plan.

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## FOREIGN TRADE

### SPEEDING UP ESTABLISHMENT OF SPECIAL ECONOMIC ZONES URGED

Buzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 2, 20 Apr 82 pp 20-25

[Article by Ruan Ming [7086 6900]: "Establishment of Special Zones and Economic Strategy"]

[Excerpts] In their "Communist Manifesto," Marx and Engels pointed out that capitalism led to the formation of a world market, where production and consumption of all countries assume an international character. The internationalization of production and consumption, of capital and technologies, has become even more of an irresistible trend during the last quarter of our century. Not only economically backward countries, but even economically developed countries, became of necessity equally dependent on the world market for capital, natural resources, technologies and equipment. For instance, direct foreign investments taken in by the United States up to the end of 1980 reached \$61.3 billion, which is 4 times as much as 10 years ago. In the Boeing 747 aircraft, manufactured by the Boeing Company in the United States, such important parts as the cabin interior, collapsible wings, elevators, plane doors, are manufactured in Italy, Switzerland, Sweden and Australia. This kind of economic cooperation on an international scale is the only way that modern countries must follow in the development of their national economies. Our country's modernization drive can equally not isolate itself from the economic life of the modern world. Developing international economic cooperation must not merely mean replenishing our present needs of capital and transforming our present state of technological and managerial backwardness, but must also become the long-term strategy that is to guide our economic construction. It is with this long-term strategy in mind that we must formulate our policy of establishing the special zones and deciding their scope and the tempo of their development.

There are now three possible attitudes in dealing with the question of the special zones:

One is to oppose them, to regard them as concessions, as treasonable, or even as the breeding ground for all social evils.

One is to propose setting up special zones that are sealed off, somewhat small in scope, somewhat slow in pace, merely bringing in selectively certain labor-intensive enterprises from Hong Kong or other places, which would then export

a rather small quantity of processed goods, while remaining completely sealed off from the rest of the country, in other words to establish what one might call "pure export commodity processing zones."

Yet another approach is to turn the special zones into hubs or centers for economic contacts on a large scale between our country and the world, and to use the special zones to implement our global economic strategy.

We need not discuss the first alternative because our central authorities have already decided that special zones shall be set up in four cities of the two provinces of Guangzhou and Fujian. The second alternative, which proposes sealed-off export processing zones, could, within a limited scope, earn some foreign exchange and solve, in a small measure, our employment problem, but would not be able to exercise a major impact on our country's modernization drive as a whole.

Taking our country's overall modernization drive as our starting point, the strategic policy in establishing the special zones must be backed by all of China and must orient itself toward the whole world. The special zones must become truly wide gates that open China to the world and that open the world to China. They must become the pivotal points for economic and technological cooperation between China and all countries and areas of the world. They must effectively implement our country's strategic shift of vision toward the whole world. Our present economic contacts with foreign countries, such as import-export trade, absorption of foreign capital, importation of technology, etc., are absolutely inadequate to meet the needs of our country's modernization drive. In 1980 the total value of our imports and exports (not including Taiwan Province) was \$30.5 billion, which was 0.75 percent of the world's total import-export trade. Our figure for last year is estimated to be \$40 billion, still less than 1 percent and lower than the share of South Korea, Hong Kong and Taiwan Province. Over half of our export commodities consist of unprocessed low-value primary agricultural and mineral products. To give an example: Our country is the world's largest producer of tungsten, but can only export tungsten ore. If the tungsten could be made into filament and exported in this form, it would generate about 70 times more foreign exchange, and as things are now, we are still obliged to import tungsten filament. The manufactured goods that we export are not competitive because of inferior technology, packaging, etc. Furthermore, the marketing of many commodities relies exclusively on merchants in Hong Kong and other places to act as middlemen, and there is no direct penetration into the markets of the various countries of the world. Since we are determined to establish special zones, we must gain a firm grip on the key link and put an end to the backward and passive state of our ways in foreign trade and as regards foreign capital, foreign technology and foreign exchange. The special zones of the PRC must not merely be the backdoor of Hong Kong, but must be the great gates by which the world enters China and China enters the markets of the world. The special zones must not mainly be used to bring in materials for processing and exporting. The processing of goods for export is only one facet of international economic cooperation, such processing may be engaged in, selectively and to some extent, wherever there is surplus labor force in China, but there is no need to concentrate on this activity exclusively in the special zones. The

special zones must principally be the centers of international trade, centers of international finance, centers of international economic and technological cooperation. Through the special zones as pivots and centers a great amount of foreign capital, foreign technology, foreign exchange and foreign trade activities must be funneled to the entire country, and the products of the whole country must be made to flow through them into the world market.

Starting out from our strategic policy of turning the special zones into pivots and centers for large-scale economic contacts between our country and the world, the scope of our special zones must of course not be limited to being merely export commodity processing zones for a mere 10 or so processing factories. The zones must rather be equipped with modern transportation facilities (including modern seaports and airports for worldwide traffic, connections to the whole country by a system of highways, railways, airlines and waterways). The zones must have modern communications facilities, all facilities needed as international trade centers, as centers of international finance and centers of the insurance industry, as centers for international cooperative undertakings in the field of technology, education and culture, as centers of international economic and technological information, as service facilities for a flourishing tourist trade, etc. The central districts of the special zones must be built up into modern cities of our country with finance, commerce, service industries, education, science and technologies, and culture, all comprehensively developed. Around the central districts there are to be modern scholarship-intensive and technology-intensive industries and an outer circle shall be formed by bases supplying nonstaple food. As to the labor-intensive processing industries, which can solve some of our employment problems, the sources of energy, chemical industry and other such heavy industrial enterprises, they should be dispersed and built up in the rural townships in the hinterland of the special zones, so that there shall be no overcrowding of the special zones and no obstacles to keeping them green and free from pollution. If one or two special zones of this nature and scope were to be built up in our country (not to speak of possibly four), they would have a tremendous effect on changing the entire pattern of our foreign economic relations and also on the implementation of our global economic strategy.

In modern economic operations, speeding up capital turnover by one time amounts to doubling the total amount of capital, or saving half of the available capital. The high efficiency of our Hong Kong compatriots is a major factor in their achieving the speedy development of the Hong Kong economy. The American FINANCE AND ECONOMIC MONTHLY quoted a statement by Bai Lishi [4101 4469 1102] of the First National City Bank: "If you decide today to establish a company in Hong Kong tomorrow, it is absolutely possible that you can do it." When establishing our special zones, we should emulate the high efficiency of our Hong Kong compatriots. The "slow-motion" low efficiency is a decadent tradition and real disaster left to us as a legacy from the old society, a tradition that must be thoroughly eliminated in our socialist modernization drive! Now that the central authorities have decided on the policy of developing special zones, it is my opinion that we must speed up the establishment of these zones. Because the economy of the special zones is to be an organic component of world economy, we must progress in this matter with great speed,

as otherwise we may lose our competitive strength and lose all attraction for international capital. For a greater efficiency and speed in setting up the special zones, we must reform the overstaffed and ossified economic organization and its superstructure, so that we may achieve even greater efficiency, briskness and competitive strength in the economic work of the socialist state's special zones. Under a uniform strategic policy and guided by our national plan, we must effect a real delegation of power to the front line in the construction of the special zones. Within the limits set by our country's laws and institutions, authority for financial administration, taxes, banking, credits, trade and customs administration, commodity pricing, wages, etc., shall be delegated down, and the special zones are to be left to their own devices to attract foreign capital for the necessary construction. Guided by its global economic strategy, a country like China, which is the largest potential market and the largest potential export country, will certainly have far-sighted foreign capital come forward to cooperate with it, as it shows all preconditions to accomplish the establishment of the special zones at great speed.

The establishment of special zones in our country is a new undertaking. In new undertakings we must extend and advance Marxist theory to apply to the conditions of the contemporary situation, and we must produce answers to the new questions posed by the realities of life. Some say that it is retrogressive if we now emulate Lenin's economic strategy of the 1902's, the utilization of foreign capital and engaging in state capitalism, after having already completed long ago the socialist transformation of our capitalist industry and trade. This viewpoint confuses two kinds of capitalism; one is the Chinese national capitalism, which we have already transformed; the other is international capitalism, that is, in Lenin's words, an advanced international financial capitalism "of the advanced countries with which the Soviet regime carried out cooperation." In my opinion, Lenin's idea of a global economic strategy, using international financial capital to build up socialism is today not only not outmoded, but is to be further developed, so as to become the guiding policy for the long-term strategy in our country's socialist modernization drive. How are we then after all to handle international financial capital? In my opinion there are only two viewpoints. One way is to be afraid of it and avoid it, but that is not the Marxist viewpoint. One way, the Marxist way, is to act as Lenin did, namely to cooperate with it and utilize it to strengthen our socialist body and build up our own socialist material and spiritual civilization. This is the one and only way to build socialism and communism, which Lenin has repeatedly pointed out. May we have Lenin's revolutionary courage and resourcefulness to proceed along the road pointed out by Lenin and to bravely explore and advance!

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## FOREIGN TRADE

### JOINT VENTURES PLAY VITAL ROLE IN SPECIAL ECONOMIC ZONES

Guangzhou NANFANG RIBAO in Chinese 14 Jun 82 p 4

[Article by Ceng Muye [2582 3668 6851] and Li Kehua [2621 0344 5478]: "The Role and Functions of Jointly Operated Enterprises in Special Economic Zones"]

[Text] At present, the Shenzhen and Zhuhai Special Economic Zones are engaged in five types of operations involving bringing in foreign capital, namely, the processing and assembling of imported materials, the cultivation and breeding of imported crops and animals, compensatory trade, businesses operated solely on foreign capital, and jointly operated enterprises (joint investment and operation). Which of the five main types of operation is of the greatest advantage to us? We believe it is the type characterized by joint operation.

The predominance of joint operations is due to the objective demands for the economic development of the special economic zones. At a time when the operations of the special economic zones are increasingly complex and economic activities are getting increasingly complicated, what type of operations should we adopt that would allow us to exercise more leadership, achieve a larger degree of autonomy, and meet the needs of the socialist economic system? That is our point of departure in selecting the predominant type of operations and the basic principle by which we assess the advantages and disadvantages of the various types of operations. The type entailing the processing and assembling of imported materials is small in scale, involves a variety of operations, requires limited investment, and yields rapid returns. Bringing in this type of enterprise to the rural areas has the desirable effect of developing the commune and production brigade enterprises, promoting diversified operations, readjusting the economic structure of the rural areas, and increasing the income of the peasants. However, most of the equipment brought in is of a small scale and the technical knowhow is not the most advanced, if not outdated. Furthermore, the supply of materials and the sale of the products are controlled by foreign businessmen, who also exercise control over what and how much to produce. Consequently, production operations go up and down at different times and the overall rate of operation is not high. Some foreign businessmen are often late in making payment for labor. Some processing items also "compete" with our normal export trade. For this reason, it does not contribute to the construction and development of the special economic zones to adopt this type of operation to an excessive

degree. As for compensatory trade, Shenzhen and Zhuhai have not brought in this type of operation to any large extent. Experience shows that the results have not been ideal and that it would not be realistic to expect it to serve as a major channel for bringing in foreign capital and to make significant contributions to the development of the special economic zones. As regards enterprises solely operated by foreign capital, they smack of nationalistic capitalism which in essence is a form of capitalism, and administrative power is vested in the hands of foreign businessmen. Since we have virtually no experience in exercising control over enterprises operated solely by foreign capital in this initial period in the development of the special economic zones, it is obvious that it does not serve our interest to promote this type of operation even after the special economic zones have gone beyond the developmental stage. More favorable are the jointly operated enterprises, because the leadership and operational structure are largely under our control. This not only makes it easier for us to implement and enforce our laws, policies and administrative regulations, but also contributes to the gradual realization of the overall plan for the economic development of the special economic zones. For this reason, it is imperative that we should make jointly operated enterprises the predominant type of operation for the economic development of the special economic zones.

To use jointly operated enterprises as the principal means to bring about the development of the special economic zones is both realistic and achievable. According to a survey, the amount to be invested in jointly operated enterprises comprises over 80 percent of the total investment contemplated by foreign businessmen in the five types of operations in the Shenzhen and Zhuhai Special Economic Zones. In 1981 alone, the total projected investment in five jointly operated enterprises in the Shenzhen Special Economic Zone amounted to 6 billion Hong Kong dollars or five or six times the planned investment in enterprises operated solely by foreign capital for the same period. There are indications in the development of the special economic zones that there is a tendency on the part of other types of enterprises to shift to the jointly operated type. Judging by the value of the output of the jointly operated enterprises which have begun production, the role that they play in the special economic zones should not be underestimated. In 1981, the seven jointly operated enterprises in Shenzhen which were already in the production stage produced goods valued at over 73 million yuan, or 30.2 percent of the total production value of all the industries in the Shenzhen Special Economic Zone. It is easy to see from the objective point of view that jointly operated enterprises have begun to assume a dominant position among the five types of operations in the special economic zones and that they have to a certain degree exerted an influence on the economic structure and the direction of development in the special economic zones.

The jointly operated enterprises in the two special economic zones have already begun to exert a positive influence on the ongoing economic development of the special economic zones.



First, we have made a start in learning the methods of advanced scientific administration and made a move to upgrade the administrative level in the operations of the enterprises. The administration of the Shihjingshan Tourist Center, for instance, is of a high standard. The administrative personnel are of a high caliber. The manager assumes full responsibility. The workers are not permitted to resort to subterfuges and alibis. Stress is put on efficiency. Staff members are carefully selected. "Rules" are strictly enforced. Those who violate regulations are punished. Those who fail to respond to disciplinary action are dismissed. Wages and bonuses are flexible and tied in with the amount of profits taken in. How well a worker performs in any particular month is reflected in the amount of his income for the month. An analysis of the operations is made without fail. Emphasis is put on scientific findings. The opinions of the tourists are respected. Administrative improvements are made as the need arises. Because of the high standard of administration, both the number of tourists and the amount of profits have been on the rise. The administration of the tourist center should serve as a model for similar enterprises inside and outside the special economic zones and a lesson from which we can all benefit.

Second, in joint ventures, and especially in cooperative production (operations), it is possible to set up factories (farms, shops) without using the nation's foreign exchange reserves. Once the joint ventures have reached the production stage, their export products begin to add to the nation's foreign exchange earnings. In the past 2 years, over one-third of the basic construction investments have been made up of foreign investments. Once they have reached the production stage, foreign investments will take in a certain amount of earnings, which in turn will add to the income of the special economic zones. This income, added to their other income will provide the means for the special economic zones to make further investments and to engage in other construction projects. Taking the foreign exchange earnings of the tourist industry as an example, the Shenzhen Special Economic Zone took in foreign exchange amounting to U.S.\$13,790,000, which basically represents the product of jointly operated enterprises during the 4-year period between 1978 and 1981. This indicates the vast potential of jointly operated enterprises to earn foreign exchange for the nation.

Third, participation in jointly operated enterprises enables us to understand and keep ourselves up-to-date on the price structure in the world market, to achieve a firm grasp of the problems pertaining to supplies and sales, and to add to the competitiveness of our products. Taking the Happy Home Sleepware Factory in Shenzhen as an example, an enterprise jointly operated with businessmen from Hong Kong, we have, through them and our clients from Hong Kong who have come to discuss processing matters or to place orders, come to know the prices of imported materials for making furniture, the situation regarding the sale of export products, and the furniture styles popular in the Hong Kong and Macao markets. As regards the world market, we have learned to produce the type of furniture in demand, to produce an amount according to the volume of sales, and to exercise strict quality control. At the present time, the quality of such products as mattresses produced by this factory has reached the highest international standard. The sales volume has leaped from seventh to first in the Hong Kong market.

Fourth, participation in jointly operated enterprises serves to bring in more advanced equipment, to enable the enterprises to make profits at a more rapid pace, and to bring mutual benefits to both parties. It is not likely that the foreign businessmen, who have an eye to profits, would bring in the worst type of equipment. Moreover, since the equipment is subject to inspection at the time it is brought in, it is likely to be of a high standard. With advanced equipment and scientific management, it is possible to increase profits within a short period of time. Taking as an example the Xinxing Restaurant, an enterprise jointly operated with businessmen from Hong Kong, a net profit of 2 million yuan was made within a period of 2 years, thanks to the advanced equipment that was brought in and to proper management. Having recouped their investment, what these businessmen earn will be in clear profit. We, too, stand to benefit from the operation.

Fifth, participation in jointly operated enterprises helps to provide employment to our labor force.

9621

CSO: 4006/512

## FOREIGN TRADE

### ECONOMIC DEVELOPMENT, FOREIGN TRADE PROGRESS IN TWO ZONES

Guangzhou YANGCHENG WANBAO in Chinese 2 Jun 82 p 2

[Article by Lan Ke [5663 4430]: "Some Development Figures in the Special Economic Zones of Shenzhen and Zhuhai in the Past 3 Years"]

[Text] In the past 3 years the special economic zones of Shenzhen and Zhuhai have begun to carry out large-scale basic construction. In the initial phases they carried out the "five openings and one leveling." They opened up new urban districts, rebuilt old urban districts and expanded educational undertakings in industry, agriculture, commerce, culture and science. They achieved great successes and rapid economic development. Below are statistics in certain fields.

Last year in the special economic zone of Shenzhen, the gross production value of industry and agriculture was over 340 million yuan (renminbi), an increase of 82.74 percent over 1980 and over twice as much as that of 1979. Last year regional financial revenue amounted to 130 million yuan, a two-fold increase over 1980 and over four times greater than that of 1979. In the 3 years from 1979 to 1981 foreign exchange revenue amounted to \$330 million. The people's standard of living also improved substantially.

In Zhuhai, in addition to projects involving cooperative management and compensatory trade, the total amount of revenue from exported commodities was \$5.3 million. Of that, last year's shrimp exports amounted to \$2.3 million, which constituted 43 percent of the total amount of exported goods during the past 3 years. Last year in the processing and assembly of imported materials, the income from construction fees amounted to \$2.57 million, which was equivalent to the sum total from 1979 and 1980 combined. Last year the gross production value of industry and agriculture was 128,750,000 yuan, an increase of 48 percent over 1978. Of that, the production value of industry increased almost two-fold. Last year the regional financial revenue was 38,380,000 yuan, 1.52 times greater than the preceding year. Last year's foreign exchange revenue was \$34,840,000 which was almost two times that of 1978. Of that, the income from compensatory trade was \$14.64 million and income from non-compensatory trade was \$21.09 million. Last year the income of staff and workers increased by 25 percent over the preceding year and the per capita collective distributed income of commune members increased 38.8 percent. The people's standard of living also showed improvements.

9864

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FOREIGN TRADE

BRIEFS

ANHUI REVENUE INCOME--According to a report submitted by (Zhou Daojiu), director of the Anhui Provincial Financial Department, Anhui's total revenue income for the first 6 months of 1982 was 1.02 billion yuan, representing 49.5 percent of the semiannual budget and an increase of 13.3 percent as compared with that in the same period in 1981. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 20 Jul 82 OW]

CSO: 4006/602

## LABOR AND WAGES

### BRIEFS

ZHEJIANG TRADE UNION CONGRESS--With the approval of the Zhejiang Provincial CPC Committee, the eighth congress of the provincial trade union council will be held in November in Hangzhou. The congress will study the party's line, principles and policies for the new historical period, review the work of the provincial trade union council since its seventh congress and decide on the tasks for the future. The congress will also elect the eighth committee of the council. [Hangzhou Zhejiang Provincial Service in Mandarin 1030 GMT 7 Aug 82 OW]

CSO: 4006/602

## TRANSPORTATION

### BRIEFS

SHANGHAI-BUILT BULK CARRIER--Shanghai, 6 Aug (XINHUA)--The "Peonia", a 27,700-ton bulk carrier built for a European shipowner, was christened and launched at the Jiangnan shipyard, Shanghai, this afternoon. The ship, 197.4 meters long and 23 meters wide, has a cruising radius of 13,000 nautical miles, according to a spokesman for the Jiangnan shipyard. Standards of the British Lloyd's Shipping Register have been followed in building the ship. [Text]  
[Beijing XINHUA in English 1525 GMT 6 Aug 82 OW]

ANHUI RAIL-HIGHWAY BRIDGE--Hefei, 6 Aug (XINHUA)--A doubled-decked highway-railway bridge over Huaihe River at Huainan was completed recently and opened to traffic on 27 July. The double-decked structure in East China has an upper level for vehicular traffic and a lower deck for trains. The road bridge is 3,196 meters long and 14 meters wide, including a three-lane road section and 1.5 meters of sidewalk on both sides. The railway bridge runs 3,416 meters. A double-tracked railway allows the passage of express trains travelling at speeds as high as 160 kilometers per hour. Construction began in July 1977, and was completed in more than 4 years. The bridge links both the road networks and railways across the whole province. This has created favorable conditions for expediting the shipping of coal from the largest coal producing center south of the Yellow River--the Huainan and Huaibei coalfields. [Text]  
[Beijing XINHUA In English 0723 GMT 6 Aug 82 OW]

CSO: 4020/158



## GENERAL

### USES OF DATA TO BE GAINED FROM 1982 CENSUS OUTLINED

Tianjin TIANJIN RIBAO in Chinese 15 Jun 82 p 3

[Article by Li Jingneng [J]6]1 4544 5174] and Wu Guocun [0702 0948 1317]:  
"Census and Economic Construction"]

[Text] At "zero hour" on 1 July 1982, the third national census that attracts worldwide attention will take place in our country. This census is mainly for the purpose of finding out the national conditions and strength, politically promoting social stability and unity and consolidating the people's democratic dictatorship, and economically finding out about the base number of the population and comprehensively understanding the economic conditions of the population so as to carry out the socialist modernization more satisfactorily, control the population development according to plan and arrange people's livelihood better. Thus, the census is not only of momentous and far-reaching political significance but also of momentous economic significance.

Population development is closely related to economic development, while population production and material production must be adapted to each other. Under the conditions of the socialist planned economy, the objective requirement that the two kinds of production must be adapted to each other finds its main expression in the adaptation of the planned development of population to the planned development of the national economy. Only by taking population at the point of departure in the process of formulating long-range or annual economic plans, can these plans be drawn up more rationally and accurately, since man is both a producer and a consumer. A census is precisely for the purpose of providing the population basis for formulating economic plans. It will enable us to understand comprehensively the economic conditions of the population, to develop population production and material production in a unified way throughout the country, to make the two maintain a rational proportion, and to promote coordinated development of economic construction and population production. Under socialist conditions, it is in accordance with the basic economic laws of socialism, the law of planned and proportionate development of the national economy and the requirement of the socialist law of population that a census is periodically conducted as a nationwide population general survey and as a major event for the entire nation.

All links in economic construction, and all spheres of production, distribution, exchange and consumption are closely bound up with population. Population,

funds, equipment, technology and resources are conditions indispensable to economic growth. The accurate indexes for measuring the economic growth of a country are not its total output and total income but its per capita output and per capita income. Without taking the size of population and the rate of population and the rate of population growth into consideration, it is not possible to estimate the economic situation correctly. Our country's total output and total income have kept increasing in recent years, ranking among the top ten in the world, but in terms of per capita output value, our country's position is coming down relatively in the world, from the 98th place among 153 countries in 1974, to the 102nd in 1975, and to the 129th in 1978. Obviously this has something to do with the large base number of the growth rate of our population. Further, take Tianjin for example. The gross value of industrial and agricultural output in 1980 was 26 times greater than in 1949 whereas the value of per capita industrial and agricultural output in 1980 was 26 times greater than in 1949 whereas the value of per capita industrial and agricultural output was merely 13.5 times greater than 1949, merely half of the gross value of industrial and agricultural output. Related to this is the fact that while economic construction has scored great achievements since the founding of the People's Republic, the rate of economic growth averages more than 11 percent a year. However, the portion of social products for personal consumption has correspondingly increased with the growth of population, resulting in a corresponding decrease in the portion of productive accumulation. Thus, an adverse effect on the further growth of economic construction will inevitably be produced and it will be difficult to raise people's living standards to a greater extent, thereby adversely affecting people's enthusiasm for socialism. Generally speaking, the ratio of population growth rate to the growth rate of the means of subsistence including grain must reach 1:4 before the living standards can show a marked rise, and the ratio of population growth rate to the growth rate of national income must be higher than this before the rate of economic growth can show a marked rise. Other things such as the level of the productive forces and total output being equal, the larger the number of population and the greater the rate of population growth, inevitably the smaller the portions of output and income that go to each person. It is thus evident that the status of the population has a great bearing on the rate of economic construction. By conducting a population census to find out comprehensively the population base number, we can accurately calculate per capita output value and income, more clearly understand the true conditions of economic development, correctly know the economic situation, scientifically formulate our economic policy, and quicken our steps in economic construction.

The census will enable us not only to show the status of the population in general but also to understand the state of the working-age population in particular, making it easy to ensure rational distribution and use of the labor resources. Through the census we can understand such natural components as ratio between two sexes and age composition and such social components as professional and occupational composition and cultural composition. Application of these data will lead to a comparative analysis of the relationships among the population composition, economic structure and employment structure, an understanding of the present state, tendency and problems of economic development, and a discovery of irrationalities in economic composition and employment composition, and will enable us to carry out economic readjustment and economic

restructuring effectively and to develop socialist production centered on improving economic effectiveness. For example, from 1977 to the end of 1980, our country has made annual arrangements for nearly 30 million people waiting for jobs, finding it necessary to create jobs for nearly more than 5 million unemployed in cities and towns each year, while the newly added working-age population has reached more than 15 million a year. To arrange their employment rationally according to plan, it is imperative to collect overall and accurate information about the labor resources, make deep-going analysis of their sexual distinctions, ages, urban and rural compositions, and their cultural levels so as to take diverse measures for addressing the problem of employment as quickly as possible. Through the census we can make a comparative analysis of the technical composition, technical state and population quality, an analysis that will help us train the working people purposefully and raise the scientific, technical and cultural levels of the working-age population in general to meet the requirements of the four modernizations.

Application of the census data will lead to a comparative analysis of the deployment of the productive forces and the pattern of population distribution. Take Tianjin for example. The original geographical distribution of its industries was rather confusing and the population was not rationally distributed. Along the densely populated banks of the Haihe River, 79 percent of Tianjin's factories were concentrated. While the Heping Ward accounts for only 0.09 percent of the total municipal area, its population makes up 6.7 percent of the total municipal area, its population makes up 6.7 percent of the total municipal population; the average population density was as high as 51,000 persons per square kilometer in 1981, a level seldom seen in the world. By conducting the census successfully, we can accurately find out the root of the problem, suit the remedy to the case, and address the problem through readjustment of the geographical distribution of industries, control of the size of the urban population and development of satellite cities and small cities and towns. At the same time, we can make a comparative analysis of the population and natural resources. The rapid growth of our population has already brought on serious problems for the exploitation and utilization of natural resources. This finds striking expressions in: continuous decrease of cultivated land per capita, from 3 mu on the morrow of liberation to 1.55 mu today; continuous shrinkage of the forest area, the percentage of the vegetable cover amounting to only 12.7 percent of the national land area while massive felling of trees has already caused severe erosion of soil and formation of sandy land in many localities. In addition, energy and fresh water resources fall behind the needs caused by population growth. Again, take our municipality for example. Along with the development of production, the size of our municipal population has kept increasing over the past 30 years and demand for water supply is growing increasingly; daily supply of piped water has increased 13 times but the water source provided for Tianjin itself is very small, and this already has become a serious obstacle to further economic development. Through the population census we can accurately calculate the ratio between the population and economy on the one hand and the natural resources on the other so that when formulating population plans and economic plans we can consciously consider the steady supportive capacity of China's natural ecological system, and work out programs for exploiting and utilizing natural resources. Therefore, to find out the base of our population and make the above analysis

and comparison are undoubtedly very useful to the development of the national economy as a whole.

From the point of view of economic life, it appears that the population census will lead to an understanding of the family economic conditions of our population as well as the corresponding situation of social demand and social consumption, making it easy for us to arrange people's material and cultural lives in such a way as to ensure satisfaction of people's living needs as far as possible. Man's survival and development are inseparable from the means of subsistence such as clothing, food, shelter and transportation. While people's living standards vary with different levels of productive forces and different social systems, within a given period of time people's basic requirements for the quantity and quality of the means of subsistence are roughly identical, and roughly speaking there are objective standards for the minimum quantity of foods (mainly the quantity of calories), cloth and per capita living space. Assuming that each person needs foods containing 2,000 large calories a day, the quantities of grain, oil, meat and vegetable containing this amount of calories can be worked out. Provided we know the population base number, by multiplying the two we can find out the approximate quantities of grain, oil, meat, and vegetable needed in the whole country or in a region, and by contrasting demand with existing output we can form a general picture of supply and demand and find it easy to work out programs and arrange production to ensure satisfaction of people's need for foods. By the same token, provided we know the exact number of population, density of population, population composition and the existing living space, we can know per capita living space, understand the housing conditions and trend of development, work out better programs and arrangements for housing construction, and gradually resolve the contradiction between population and housing.

In order to satisfy the needs of people's cultural life, it is necessary to understand the population base number. For example, in order to find out whether the number and distribution of primary and middle schools in an area and their teachers and equipment are suited to needs and how many more primary and middle schools need to be set up and how many teachers and equipment need to be added, it is necessary to understand the age structure of population, the number of school-age children and the geographical distribution of population before we can get a clear understanding of the problems involved and make rational arrangements. Concerning other aspects of people's material and cultural lives and social welfare, establishment of such facilities as hospitals, mess halls, nurseries, kindergartens, old peoples' homes, parks, public places of culture and entertainment, playgrounds, and network outlets for commercial and service trade, calls for a knowledge of the number, composition and distribution of population. Many new residential areas have been built in Tianjin in recent years, making it necessary to set up hospitals, schools, cultural places and network outlets for commerce and trade in light of the demographic changes learned from the census. Such is the way to make rational arrangements and suit the convenience of the masses.

In short, the [1982] census is a major event bearing on the fundamental interests of the state and the vital interests of each citizen. We should fully know its momentous significance and take an active part in supporting this work, declare each census item truthfully and accurately, and see that nothing is omitted, over-declared or declared in error so that smooth completion of the census can be ensured.

GENERAL

BRIEFS

ANHUI ECONOMIC ACHIEVEMENTS--Recently the Anhui Provincial People's Government held a meeting to hear reports by the provincial economic commission, capital construction commission and agricultural commission and the provincial finance and trade office on the achievements made during the first half of this year in raising economic results. According to the reports, output of summer grain and rapeseed reached 9.5 billion and more than 1.74 billion jin respectively. Total industrial output value for January-May was 15.5 percent higher than in the same period of last year. The meeting urged the units concerned to continue their efforts to achieve greater economic results during the second half of this year. [OW281201 Hefei Anhui Provincial Service in Mandarin 1100 GMT 2 Jul 82]

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